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Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

CSSB 404 Sectional Analysis

Section 1) Makes an exception in the fictitious group statutes for municipalities, school districts, and REAAs so that groups of them covered by a group workers compensation policy need not have a constitution or bylaws.

Section 2) Exempts joint arrangements formed under section 12 of the draft from the prohibition against "fictitious groups" that are formed for the purpose of insurance.

Section 3) Changes terminology to reflect other changes in the bill.

Section 4) Shifts the exceptions currently found in the AS 21.36.300 (repealed in the bill) to AS 21.36.210(d).

Section 5) Shifts the substance of AS 21.36.210 (e) (repealed in the bill) to AS 21.36.210(f) by inserting the term "personal insurance"; "personal insurance" is defined in section 11 of the bill to cover the types of insurance formerly described in AS 21.36.210(e).

Section 6) Provides for a 20 day notice period for cancellation of personal insurance except in cases of non payment of premium, for which there is a 10 day notice period.

Section 7) Provides for a 60 day notice period for the cancellation of business or commercial insurance except in cases of nonpayment of premium, for which there is a 10 day notice period.

Section 8) Requires the return of unearned premium within 30 days after notice if business or commercial insurance is cancelled.

Section 9) Provides for a 20 day notice of non renewal of personal insurance and a 60 day notice of nonrenewal of business and commercial insurance.

Section 10) Makes technical changes to conform to other amendments.

Section 11) Definitions

Section 12) 21.76.010 Authorizes joint insurance arrangements by municipalities, school districts, and REAAs. Allows group self insurance only for property insurance. Allows purchase of coverage on a group basis for the types of insurance not described in (c) (1) and (2).

21.76.020 Exempts joint insurance arrangements from regulation by the Director of the Division of Insurance.

21.76.030 Prescribes the types of provisions that must be contained in agreements that set up joint insurance arrangements.

21.76.040 Prescribes the financial provisions that must be contained in agreements that set up joint insurance arrangements, including a requirement for an annual audit.

21.76.050 Allows the board of directors of a joint insurance arrangement to contract with someone to run the arrangement

21.76.060 Allows the directors to delegate the power to settle claims on behalf of a joint insurance arrangement.

21.76.070 Allows a joint insurance arrangement to obtain excess insurance.

21.76.080 Requires a joint insurance arrangement to establish a fund to receive contributions from members and to pay out claims or other expenses, depending on the type of arrangement.

21.76.090 Requires the filing of the agreement establishing a joint insurance arrangement.

21.76.100 Provides that the agreement may allow the board of directors to adopt regulations for the operation of the arrangement.

21.76.110 Gives subrogation rights to a joint insurance arrangement.

21.76.900 Definitions.

Section 13) Exempts joint insurance arrangements from a general requirement that insurers for workers compensation must join in the assigned risk pool.

Section 14 and 15) Exempts joint insurance arrangements from laws that currently already exempt reciprocals composed of municipalities.

Section 16) repeals sections dealing with the cancellation of insurance policies in order to correspond to other sections in the bill to which substance of these sections was transferred.

Section 17) Effective date.

SB 404: "An Act relating to insurance, authorizing joint insurance arrangements, repealing a prohibition against certain types of group insurance, and providing for an effective date."

This legislation allows municipalities, school districts and Regional Educational Attendance Areas to establish joint insurance arrangements for group assumption of losses or group purchase of insurance coverage.

This bill effectively allows self insurance by groups of municipalities, school districts and Regional Educational Attendance Areas. This is probably a reasonable action provided the parties to the grouping are fully aware of the implications of that action, and the Division of Insurance has no regulatory responsibility for those groups.

Markets are currently available for workers compensation, and group purchase is possible through a safety group. We view inclusion of workers' compensation in this bill as a reduction of the protections built into the system for the benefit of the injured worker. Insurer financial regulation, 100% backup by the Alaska Insurance Guaranty Act, rate regulation, and more accrue to assure that the insurer meets its obligations in a timely fashion. We believe that that action is unnecessary for workers' compensation insurance.

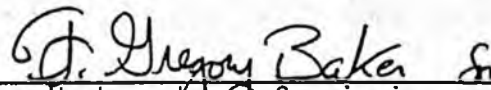
This bill repeals the fictitious group statute. That statute is intended to avoid unfairly discriminatory rates. We have no problem with removing the entities impacted by the joint insurance arrangement from that law, except for workers compensation, but the law should not be repealed.

We recommend that Section 5 on page 7, which repeals AS 21.36.190, be amended to read:

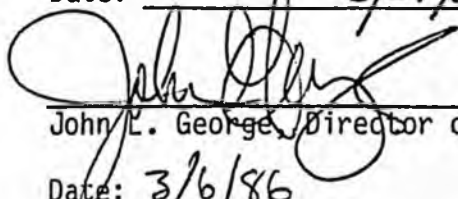
Add a new subsection to AS 21.36.190 to read:

(e) Except as provided in (d)(2)-(4) of this section, this section does not apply to coverage purchased through a joint insurance arrangement formed under AS 21.76.

Also on page 1, line 23, after "disability," insert the words "workers' compensation."


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

Date: 3/07/86


John L. George, Director of Insurance

Date: 3/6/86



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Letter of Intent for CSSB 404 (L&C)

It is the intent of the Senate Labor and Commerce Committee that the Division of Insurance urge both domestic and foreign insurance companies, conducting business in the state, to write insurance policy contracts in comprehensible, "layman's" language.

CHAIRMAN'S INFORMATION: CSSB 404 (L&C)

- 1) BILL TITLE: "An act relating to insurance; authorizing joint insurance arrangements; repealing a prohibition against certain types of group insurance; and providing for an effective date." N.B. L&C CS has a title change which will need to be moved when we adopt CS for discussion purposes.

The new Title reads: "An act relating to cancellation and nonrenewal of insurance; authorizing joint insurance arrangements; and providing for an effective date."

We also have a letter of intent on "easy read contracts" which must be adopted.

- a) Introduced: By Sen Josephson

b) Co-sponsors:

- 2) INTENT: This measure, (CS), has been expanded to include more strict requirements on cancellation notices for insurance policies, as well as time certain dates for the return of unearned premium on business and commercial insurance.

The bill also authorizes "joint insurance arrangements" (group insurance pools) for municipalities, school districts, and REAA's for property insurance.

FISCAL NOTE: Not received

- 3) ADDITIONAL REFERRALS: Finance, Rules

- 4) PUBLIC HEARINGS:

a) Sponsor:

b) Public Witnesses:

5) BILL ACTION:

- a) Hold in committee?
- b) Assign to sub committee for further review?
- c) Move from committee?
- d) Close public hearings?

6) COMMITTEE ACTION?

- a) amendments?
- b) CS adoption? Need to adopt the Senate L&C CS and the title change;



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Letter of Intent for CSSB 404 (L&C)

It is the intent of the Senate Labor and Commerce Committee that the Division of Insurance urge both domestic and foreign insurance companies, conducting business in the state, to write insurance policy contracts in comprehensible, "layman's" language.

CS FOR SENATE BILL NO. 404 (L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to cancellation and nonrenewal of insurance; authorizing joint insurance arrangements; and providing for an effective date."

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

* Section 1. AS 21.36.190(d) is amended to read:

(d) This section does not apply to workers' compensation insurance when issued to an association of employers formed for purposes other than the purchase of insurance and that

(1) has a constitution and bylaws; the requirement of this paragraph does not apply to municipalities, school districts, and regional educational attendance areas;

(2) incorporates a safety program;

(3) as a group has preferred characteristics over similar risks written on an individual basis; and

(4) has filed and received approval from the director for the rating program to be applied to the group.

* Sec. 2. AS 21.36.190 is amended by adding a new subsection to read:

(e) The provisions of (a) and (b) of this section do not apply to coverage purchased through a joint insurance arrangement formed under AS 21.76.

* Sec. 3. AS 21.36.210(a) is amended to read:

(a) An insurer may not exercise its right to cancel a policy of personal [AN] automobile insurance [POLICY] except for the following reasons:

(1) nonpayment of premium; or
(2) the driver's license or motor vehicle registration of either the named insured or of an operator who resides in the same household as the named insured or who customarily operates a motor vehicle insured under the policy has been under suspension or revocation during the policy period or, if the policy is a renewal, during its policy period or the 180 days immediately preceding its effective date.

* Sec. 4. AS 21.36.210(d) is amended to read:

(d) This section does not apply to

(1) the failure to renew a policy, except as to coverage in force for less than 12 months;

(2) a policy that has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer, unless it is a renewal policy;

(3) a policy issued under an automobile assigned risk plan or automobile insurance plan;

(4) a policy insuring more than four motor vehicles;

(5) a policy covering the operation of a garage; automobile sales agency, repair shop, or service station; or public parking place;

(6) a policy providing insurance only on an excess basis;

(7) any other contract providing insurance to the named insured, even though the contract may incidentally provide insurance with respect to motor vehicles.

* Sec. 5. AS 21.36.210(f) is amended to read:

(f) An [NOTWITHSTANDING (e) OF THIS SECTION, AN] insurer may not exercise its right to cancel a policy of personal insurance other than personal automobile insurance, except for the following reasons [THE

TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING CONDITIONS OR CIRCUMSTANCES ARISES]:

(1) nonpayment of premiums, including nonpayment of additional premiums, calculated in accordance with the current rating manual of the insurer, justified by a physical change in the insured property or a change in its occupancy or use;

(2) conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;

(3) discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy;

(4) discovery of a grossly negligent act or omission by the insured that substantially increases the hazards insured against; or

(5) physical changes in the insured property that result in the property becoming uninsurable.

* Sec. 6. AS 21.36.220 is amended to read:

Sec. 21.36.220. NOTICE OF CANCELLATION. An insurer may not exercise its right to cancel a personal insurance policy unless a written notice of cancellation is mailed or delivered to the named insured, at the address shown in the policy, at least 20 days before the effective date of cancellation. However, if [, EXCEPT THAT WHEN] cancellation is for nonpayment of premium, the notice shall be mailed or delivered to the named insured at the address shown in the policy at least 10 days before the effective date of cancellation, and must [SHALL] include or be accompanied by a statement of the reason for the cancellation. [THIS SECTION DOES NOT APPLY TO THE FAILURE TO RENEW A POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS THAN 12 MONTHS.]

* Sec. 7. AS 21.36.220 is amended by adding a new subsection to read:

(b) An insurer may not exercise its right to cancel a policy of

business or commercial insurance unless a written notice of cancellation is mailed or delivered to the named insured, at the address shown in the policy, and to the agent or broker of record, at least 60 days before the effective date of cancellation. However, if cancellation is for nonpayment of premium, the notice shall be mailed or delivered to the named insured at the address shown in the policy and to the agent or broker of record at least 10 days before the effective date of cancellation, and must include or be accompanied by a statement of the reason for the cancellation.

* Sec. 8. AS 21.36 is amended by adding a new section to read:

Sec. 21.36.235. RETURN OF PREMIUM UPON CANCELLATION. If an insurer cancels a policy under AS 21.36.220(b), it shall return any unearned premium to the agent or broker of record or directly to the insured or premium finance company, if applicable, by the effective date of cancellation, except that if cancellation is for nonpayment of premium, any unearned premium shall be returned within 30 days after the notice of cancellation is given. If the unearned premium is returned by the insurer to a person other than the insured, that person shall promptly return the unearned premium to the insured unless otherwise provided by agreement between the person and the insured.

* Sec. 9. AS 21.36.240 is amended to read:

Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to renew a personal insurance policy in force for less than 12 months. An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR MORE] unless a written notice of nonrenewal is mailed or delivered to the named insured, at the address shown in the policy, at least 20 days for a personal insurance policy, and at least 60 days for a business or commercial insurance policy, before the expiration date of

1 the policy [,] or of the anniversary date of a policy written for
2 term longer than one year or with no fixed expiration date. This
3 section does not apply

4 (1) if the insurer has in good faith manifested in any way
5 its willingness to renew;

6 (2) in case of nonpayment of premium for the expiring
7 policy; or

8 (3) if the insured fails to pay the premium as required by
9 the insurer for renewal.

10 * Sec. 10. AS 21.36.250 is amended to read:

11 Sec. 21.36.250. NOTICE OF ELIGIBILITY. When a policy of automo-
12 bile liability insurance is cancelled, other than for nonpayment of
13 premium, or is not renewed in accordance with [FOR FAILURE TO RENEW A
14 POLICY OF AUTOMOBILE LIABILITY INSURANCE TO WHICH] AS 21.36.240 [AP-
15 PLIES], the insurer shall notify the named insured of possible eligi-
16 bility for automobile insurance through the automobile assigned risk
17 plan, or automobile insurance plan. The notification must [SHALL]
18 accompany or be included in the notice of cancellation or nonrenewal
19 required by AS 21.36.220 [AS 21.36.230] and 21.36.240.

20 * Sec. 11. AS 21.36.310 is amended to read:

21 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 - 21.36.310

22 (1) "business or commercial insurance" means insurance
23 other than personal insurance, life insurance, disability insurance,
24 title insurance, or an annuity contract;

25 (2) "nonpayment of premium" means failure of the named
26 insured to discharge when due any obligations of the named insured in
27 connection with the payment of premium on a policy, or any installment
28 of the premium, whether the premium is payable directly to the insurer
29 or its agent or indirectly under any premium finance plan or extension

of credit;

(3) "personal automobile insurance" means insurance not related to business or commercial activities, covering [(2) "POLICY" MEANS AN INSURANCE POLICY COVERING THE RISKS AND EXPOSURES LISTED IN AS 21.36.210(e) OR AN AUTOMOBILE POLICY THAT INCLUDES] automobile liability [COVERAGE], uninsured or underinsured motorists [MOTORIST COVERAGE], automobile medical payments [COVERAGE], or automobile physical damage [COVERAGE], that is delivered or issued for delivery in this state, [INSURING AS THE NAMED INSURED, ONE INDIVIDUAL OR HUSBAND AND WIFE RESIDENT OF THE SAME HOUSEHOLD,] and under which the insured vehicles are of the following types only:

(A) a motor vehicle of the private passenger or station wagon type that is not used as a public or livery conveyance, nor rented to others, or

(B) any other four-wheel motor vehicle with a load capacity of 1,500 pounds or less that is not used in the occupation, profession, or business of the insured, nor used as a public or livery conveyance, nor rented to others;

(4) "personal insurance" does not include an annuity contract or a policy of life insurance, disability insurance, or title insurance; the term means personal automobile insurance, or insurance covering

(A) loss of or damage to real property that is used predominantly for residential purposes and that does not consist of more than four dwelling units;

(B) loss of or damage to personal property, including personal effects, household furniture, fixtures and equipment located in not more than four dwelling units; or

(C) legal liability of natural persons for loss of,

damage to, or injury to, persons or property if the insurance does not cover liability arising from or in connection with business or commercial activities;

(5) [(3)] "renewal" or "renew" means

(A) the issuance and delivery by an insurer of policy replacing at the end of the policy period a policy previously issued and delivered by the same insurer,

(B) the issuance and delivery of a certificate of notice extending the term of a policy beyond its policy period or term, or

(C) the extension of the term of a policy beyond its policy period or term under a provision for extending the policy by payment of a continuation premium.

* Sec. 12. AS 21 is amended by adding a new chapter to read:

CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGEMENTS. (a) Municipalities, school districts, and regional educational attendance areas may enter into cooperative agreements with each other for the purpose of establishing, operating, or participating in joint insurance arrangements through which the participating members agree to pool contributions and

(1) assume risks from losses on a group basis; or

(2) purchase coverage on a group basis.

(b) A joint insurance arrangement under (a)(1) of this section may be only for property insurance.

(c) A joint insurance arrangement under (a)(2) of this section may be for any kind of insurance defined by this title except for

(1) life, annuity, disability, and title insurance; and

(2) surety.

(d) A joint insurance arrangement shall be considered an alternative or supplement to any other policy or contract of insurance authorized or required by law, including insurance under AS 21.75.

Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint insurance arrangement may not be considered insurance for the purpose of any other law of the state and is not subject to regulations of the director except as expressly provided in this chapter.

Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A cooperative agreement shall provide for the proper operation of the joint insurance arrangement, and include provisions for

(1) administration of the arrangement by a board of directors, specifying the number of members of the board and other requirements necessary for the proper functioning of the board;

(2) appointment of an administrator and other persons as necessary for the proper functioning of the arrangement;

(3) organization of the arrangement, including a roster of participating members and the names of the members of the board of directors;

(4) procedures to establish and promote an aggressive risk management and program among the members of the arrangement, including procedures for identifying and reducing the risks that can be reduced through implementing better safety technologies and improved work techniques and procedures;

(5) enforcing the collection of contributions or payments in default from members of the arrangement;

(6) the addition of new members to the arrangement or the withdrawal of members from the arrangement;

(7) the method of apportioning costs and disposition of excess contributions;

(8) transmission of financial statements and audit report of the arrangement to participating members;

(9) terminating the arrangement and disposing of its assets; and

(10) establishing and administering a joint insurance fund.

Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) cooperative agreement must include a provision requiring an annual determination by a casualty actuary who is a member of the American Academy of Actuaries that procedures for establishing reserves for losses of the joint insurance arrangement are actuarially sound.

(b) A joint insurance arrangement shall be subject to an annual independent audit. The audit shall be conducted in accordance with generally accepted auditing standards and must include a review of the actuarial assumptions used for establishing the reserves under (a) of this section. The audit report must include certification from a casualty actuary who is a member of the American Academy of Actuaries that the actuarial assumptions continue to be sound and the level of the reserves are adequate.

(c) A joint insurance arrangement shall use a method of accounting that conforms with generally accepted government accounting principles.

Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A cooperative agreement may authorize the board of directors to enter into contracts for services necessary to perform the functions of a joint insurance arrangement. The person contracting to perform the functions must be appropriately licensed under this title if this title so requires.

Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooperative agreement may delegate to the board of directors, or authorize

delegation by the board to another person or group, the power to compromise, arbitrate, or otherwise settle claims on behalf of the arrangement.

Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may authorize the board of directors to purchase excess or catastrophic insurance on behalf of the joint insurance arrangement. The cost of the insurance shall be apportioned in the manner specified in the joint insurance agreement. The board may purchase insurance under this section only from an insurer authorized to do business in the state or from an unauthorized insurer if the insurance is placed through a licensed surplus lines broker.

Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance arrangement shall establish a joint insurance fund. The fund consists of money

(1) contributed by members of the joint insurance arrangement through budgetary appropriations or transfers from a self-insurance reserve; and

(2) collected by the joint insurance arrangement through subrogation of a claim paid from the fund to a member of the arrangement.

(b) An expenditure may be made from a joint insurance fund only to pay claims, losses, or benefits, including interest on them, and the administrative and adjustment expenses incurred in connection with them, involving the types of protection for which the fund provides coverage as specified in the joint insurance agreement.

(c) The administrator shall keep the fund separate from other funds of a member of a joint insurance arrangement.

(d) For each type of protection offered by the joint insurance arrangement, the method of accounting must show the order, source,

date, and amount of each payment from the fund.

(e) Within 60 days of the end of the fiscal year, the administrator shall furnish a detailed report of the operation and condition of the fund to the board of directors and the director of insurance. The report furnished to the director of insurance shall be available for public inspection.

(f) Money held by a fund as reserves and money not needed for daily operations may be invested by the board of directors.

(g) A fund may not be terminated unless the administrator certifies that an amount of money sufficient to pay accrued and contingent expenditures has been placed in a fully collateralized escrow account.

Sec. 21.76.090. FILING OF AGREEMENT. The board of directors shall file a copy of the cooperative agreement with the director of insurance at least 60 days before the effective date of the agreement. The agreement shall be available for public inspection.

Sec. 21.76.100. REGULATIONS. A cooperative agreement may authorize the board of directors to adopt regulations not inconsistent with law for the fair and equitable administration of the joint insurance arrangement and the joint insurance fund.

Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has a cause of action for reimbursement of money paid to a participating member for a loss or injury if the participating member recovers money for the loss or injury from a third party. The joint insurance arrangement also has a direct cause of action for reimbursement against a third party responsible for loss or injuries sustained by a participating member if the joint arrangement has paid money to the participating member for the loss or injuries.

Sec. 21.76.900. DEFINITIONS. In this chapter

(1) "adjustment expenses" means expenses for investigative,

processing, legal, actuarial, arbitration, and settlement services incurred in the adjustment of losses, claims, or benefits;

(2) "administrator" means a person or group appointed by the board of directors to administer a joint insurance arrangement or a joint insurance fund;

(3) "board" or "board of directors" means the board of directors provided for in a cooperative agreement;

(4) "cooperative agreement" means a written agreement entered into by two or more entities described in AS 21.76.010 for the purpose of establishing, operating, or participating in a joint insurance arrangement;

(5) "fund" or "joint insurance fund" means a fund established under AS 21.76.080;

(6) "joint insurance arrangement" means a joint insurance arrangement authorized under AS 21.76.010.

* Sec. 13. AS 21.39.155(a) is amended to read:

(a) The director may require carriers, except a reciprocal insurer formed by and insuring only a group of municipalities or nonprofit public utilities under AS 21.75 or a joint insurance arrangement formed under AS 21.76, as a condition of writing a line of insurance dealing with workers' compensation, to participate in an assigned risk pool if the director finds that mandatory carrier participation is in the public interest.

* Sec. 14. AS 21.80.180(5) is amended to read:

(5) "insolvent insurer" means an insurer

(A) authorized to transact insurance in this state, except an assessable reciprocal insurer formed by and insuring only municipalities or nonprofit public utilities, a joint insurance arrangement formed under AS 21.76, the Medical Indemnity

1 Corporation of Alaska, and the Health Care Providers Joint Under
2 writing Association established under AS 21.88, either at th
3 time the policy was issued or when the insured event occurred
4 and

5 (B) determined to be insolvent by a court of compe-
6 tent jurisdiction;

7 * Sec. 15. AS 21.80.180(6) is amended to read:

8 (6) "member insurer" means a person, except an assessable
9 reciprocal insurer formed by and insuring only municipalities or
10 nonprofit public utilities, a joint insurance arrangement formed under
11 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
12 Care Providers Joint Underwriting Association established under
13 AS 21.88, who

14 (A) writes any kind of insurance to which this chap-
15 ter applies under AS 21.80.020 including the exchange of recipro-
16 cal or interinsurance contracts, and

17 (B) is licensed to transact insurance in this state;

18 * Sec. 16. AS 21.36.210(e), 21.36.230, and 21.36.300 are repealed.

19 * Sec. 17. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).

Version #2 ✓
Lauterbach
3/10/86

Original sponsor: Josephson

Commit cancelled

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 404 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

authored

*T. Healy
Change*

6 For an Act entitled: "An Act relating to insurance; and providing for an
7 effective date."

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

9 * Section 1. AS 21.36.190(d) is amended to read:

10 (d) This section does not apply to workers' compensation insur-
11 ance when issued to an association of employers formed for purposes
12 other than the purchase of insurance and that

13 (1) has a constitution and bylaws; the requirement of this
14 paragraph does not apply to municipalities, school districts, and
15 regional educational attendance areas;

16 (2) incorporates a safety program;

17 (3) as a group has preferred characteristics over similar
18 risks written on an individual basis; and

19 (4) has filed and received approval from the director for
20 the rating program to be applied to the group.

21 * Sec. 2. AS 21.36.190 is amended by adding a new subsection to read:

22 (e) The provisions of (a) and (b) of this section do not apply
23 to coverage purchased through a joint insurance arrangement formed
24 under AS 21.76.

25 * Sec. 3. AS 21.36.210(a) is amended to read:

26 (a) An insurer may not exercise its right to cancel a policy of
27 personal [AN] automobile insurance [POLICY] except for the following
28 reasons:

29 (1) nonpayment of premium; or

1 (2) the driver's license or motor vehicle registration of
2 either the named insured or of an operator who resides in the same
3 household as the named insured or who customarily operates a motor
4 vehicle insured under the policy has been under suspension or revoca-
5 tion during the policy period or, if the policy is a renewal, during
6 its policy period or the 180 days immediately preceding its effective
7 date.

8 * Sec. 4. AS 21.36.210(d) is amended to read:

9 (d) This section does not apply to

10 (1) the failure to renew a policy, except as to coverage in
11 force for less than 12 months;

12 (2) a policy that has been in effect less than 60 days at
13 the time notice of cancellation is mailed or delivered by the insurer,
14 unless it is a renewal policy;

15 (3) a policy issued under an automobile assigned risk plan
16 or automobile insurance plan;

17 (4) a policy insuring more than four motor vehicles;

18 (5) a policy covering the operation of a garage; automobile
19 sales agency, repair shop, or service station; or public parking
20 place;

21 (6) a policy providing insurance only on an excess basis;

22 (7) any other contract providing insurance to the named
23 insured, even though the contract may incidentally provide insurance
24 with respect to motor vehicles.

25 * Sec. 5. AS 21.36.210(f) is amended to read:

26 (f) An [NOTWITHSTANDING (e) OF THIS SECTION, AN] insurer may not
27 exercise its right to cancel a policy of personal insurance other than
28 personal automobile insurance, except for the following reasons [THE
29 TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING

1 CONDITIONS OR CIRCUMSTANCES ARISES]:

2 (1) nonpayment of premiums, including nonpayment of addi-
3 tional premiums, calculated in accordance with the current rating
4 manual of the insurer, justified by a physical change in the insured
5 property or a change in its occupancy or use;

6 (2) conviction of the insured of a crime having as one of
7 its necessary elements an act increasing a hazard insured against;

8 (3) discovery of fraud or material misrepresentation made
9 by the insured or a representative of the insured in obtaining the
10 insurance or by the insured in pursuing a claim under the policy;

11 (4) discovery of a grossly negligent act or omission by the
12 insured that substantially increases the hazards insured against; or

13 (5) physical changes in the insured property that result in
14 the property becoming uninsurable.

15 * Sec. 6. AS 21.36.220 is amended to read:

16 Sec. 21.36.220. NOTICE OF CANCELLATION. An insurer may not
17 exercise its right to cancel a personal insurance policy unless a
18 written notice of cancellation is mailed or delivered to the named
19 insured, at the address shown in the policy, at least 20 days before
20 the effective date of cancellation. However, if [, EXCEPT THAT WHEN]
21 cancellation is for nonpayment of premium, the notice shall be mailed
22 or delivered to the named insured at the address shown in the policy
23 at least 10 days before the effective date of cancellation, and must
24 [SHALL] include or be accompanied by a statement of the reason for the
25 cancellation. [THIS SECTION DOES NOT APPLY TO THE FAILURE TO RENEW A
26 POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS THAN 12 MONTHS.]

27 * Sec. 7. AS 21.36.220 is amended by adding a new subsection to read:

28 (b) An insurer may not exercise its right to cancel a policy of
29 business or commercial insurance unless a written notice of

1 cancellation is mailed or delivered to the named insured, at the
2 address shown in the policy, and to the agent or broker of record, at
3 least 60 days before the effective date of cancellation. However, if
4 cancellation is for nonpayment of premium, the notice shall be mailed
5 or delivered to the named insured at the address shown in the policy
6 and to the agent or broker of record at least 10 days before the
7 effective date of cancellation, and must include or be accompanied by
8 a statement of the reason for the cancellation.

9 * Sec. 8. AS 21.36 is amended by adding a new section to read:

10 Sec. 21.36.235. RETURN OF PREMIUM UPON CANCELLATION. If an
11 insurer cancels a policy under AS 21.36.220(b), it shall return any
12 unearned premium to the agent or broker of record or directly to the
13 insured or premium finance company, if applicable, by the effective
14 date of cancellation, except that if cancellation is for nonpayment of
15 premium, any unearned premium shall be returned within 30 days after
16 the notice of cancellation is given. If the unearned premium is
17 returned by the insurer to a person other than the insured, that
18 person shall promptly return the unearned premium to the insured
19 unless otherwise provided by agreement between the person and the
20 insured.

21 * Sec. 9. AS 21.36.240 is amended to read:

22 Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to
23 renew a personal insurance policy in force for less than 12 months.
24 An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR
25 MORE] unless a written notice of nonrenewal is mailed or delivered to
26 the named insured, at the address shown in the policy, at least 20
27 days for a personal insurance policy, and at least 60 days for a
28 business or commercial insurance policy, before the expiration date of
29 the policy [,] or of the anniversary date of a policy written for a

1 term longer than one year or with no fixed expiration date. This
2 section does not apply

3 (1) if the insurer has in good faith manifested in any way
4 its willingness to renew;

5 (2) in case of nonpayment of premium for the expiring
6 policy; or

7 (3) if the insured fails to pay the premium as required by
8 the insurer for renewal.

9 * Sec. 10. AS 21.36.250 is amended to read:

10 Sec. 21.36.250. NOTICE OF ELIGIBILITY. When a policy of automo-
11 bile liability insurance is cancelled, other than for nonpayment of
12 premium, or is not renewed in accordance with [FOR FAILURE TO RENEW A
13 POLICY OF AUTOMOBILE LIABILITY INSURANCE TO WHICH] AS 21.36.240 [AP-
14 PLIES], the insurer shall notify the named insured of possible eligi-
15 bility for automobile insurance through the automobile assigned risk
16 plan, or automobile insurance plan. The notification must [SHALL]
17 accompany or be included in the notice of cancellation or nonrenewal
18 required by AS 21.36.220 [AS 21.36.230] and 21.36.240.

19 * Sec. 11. AS 21.36.310 is amended to read:

20 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 - 21.36.310

21 (1) "business or commercial insurance" means insurance
22 other than personal insurance, life insurance, disability insurance,
23 title insurance, or an annuity contract;

24 (2) "nonpayment of premium" means failure of the named
25 insured to discharge when due any obligations of the named insured in
26 connection with the payment of premium on a policy, or any installment
27 of the premium, whether the premium is payable directly to the insurer
28 or its agent or indirectly under any premium finance plan or extension
29 of credit;

1 (3) "personal automobile insurance" means insurance not
2 related to business or commercial activities, covering [(2) "POLICY"
3 MEANS AN INSURANCE POLICY COVERING THE RISKS AND EXPOSURES LISTED IN
4 AS 21.36.210(e) OR AN AUTOMOBILE POLICY THAT INCLUDES] automobile
5 liability [COVERAGE], uninsured or underinsured motorists [MOTORIST
6 COVERAGE], automobile medical payments [COVERAGE], or automobile
7 physical damage [COVERAGE], that is delivered or issued for delivery
8 in this state, [INSURING AS THE NAMED INSURED, ONE INDIVIDUAL OR HUS-
9 BAND AND WIFE RESIDENT OF THE SAME HOUSEHOLD,] and under which the
10 insured vehicles are of the following types only:

11 (A) a motor vehicle of the private passenger or sta-
12 tion wagon type that is not used as a public or livery convey-
13 ance, nor rented to others, or

14 (B) any other four-wheel motor vehicle with a load
15 capacity of 1,500 pounds or less that is not used in the occupa-
16 tion, profession, or business of the insured, nor used as a
17 public or livery conveyance, nor rented to others;

18 (4) "personal insurance" does not include an annuity con-
19 tract or a policy of life insurance, disability insurance, or title
20 insurance; the term means personal automobile insurance, or insurance
21 covering

22 (A) loss of or damage to real property that is used
23 predominantly for residential purposes and that does not consist
24 of more than four dwelling units;

25 (B) loss of or damage to personal property, including
26 personal effects, household furniture, fixtures and equipment
27 located in not more than four dwelling units; or

28 (C) legal liability of natural persons for loss of,
29 damage to, or injury to, persons or property if the insurance

1 does not cover liability arising from or in connection with
2 business or commercial activities;

3 (5) [(3)] "renewal" or "renew" means

4 (A) the issuance and delivery by an insurer of a
5 policy replacing at the end of the policy period a policy previ-
6 ously issued and delivered by the same insurer,

7 (B) the issuance and delivery of a certificate or
8 notice extending the term of a policy beyond its policy period or
9 term, or

10 (C) the extension of the term of a policy beyond its
11 policy period or term under a provision for extending the policy
12 by payment of a continuation premium.

13 * Sec. 12. AS 21 is amended by adding a new chapter to read:

14 CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

15 Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-
16 MENTS. (a) Municipalities, school districts, and regional educa-
17 tional attendance areas may enter into cooperative agreements with
18 each other for the purpose of establishing, operating, or participat-
19 ing in joint insurance arrangements through which the participating
20 members agree to pool contributions and

21 (1) assume risks from losses on a group basis; or

22 (2) purchase coverage on a group basis.

23 (b) A joint insurance arrangement under (a)(1) of this section
24 may be only for property insurance.

25 (c) A joint insurance arrangement under (a)(2) of this section
26 may be for any kind of insurance defined by this title except for

27 (1) life, annuity, disability, and title insurance; and

28 (2) surety.

29 (d) A joint insurance arrangement shall be considered an

1 alternative or supplement to any other policy or contract of insurance
2 authorized or required by law, including insurance under AS 21.75.

3 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint
4 insurance arrangement may not be considered insurance for the purpose
5 of any other law of the state and is not subject to regulations of the
6 director except as expressly provided in this chapter.

7 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
8 cooperative agreement shall provide for the proper operation of the
9 joint insurance arrangement, and include provisions for

10 (1) administration of the arrangement by a board of direc-
11 tors, specifying the number of members of the board and other require-
12 ments necessary for the proper functioning of the board;

13 (2) appointment of an administrator and other persons as
14 necessary for the proper functioning of the arrangement;

15 (3) organization of the arrangement, including a roster of
16 participating members and the names of the members of the board of
17 directors;

18 (4) procedures to establish and promote an aggressive risk
19 management and program among the members of the arrangement, including
20 procedures for identifying and reducing the risks that can be reduced
21 through implementing better safety technologies and improved work
22 techniques and procedures;

23 (5) enforcing the collection of contributions or payments
24 in default from members of the arrangement;

25 (6) the addition of new members to the arrangement or the
26 withdrawal of members from the arrangement;

27 (7) the method of apportioning costs and disposition of
28 excess contributions;

29 (8) transmission of financial statements and audit reports

1 of the arrangement to participating members;

2 (9) terminating the arrangement and disposing of its as-
3 sets; and

4 (10) establishing and administering a joint insurance fund.

5 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
6 cooperative agreement must include a provision requiring an annual
7 determination by a casualty actuary who is a member of the American
8 Academy of Actuaries that procedures for establishing reserves for
9 losses of the joint insurance arrangement are actuarially sound.

10 (b) A joint insurance arrangement shall be subject to an annual
11 independent audit. The audit shall be conducted in accordance with
12 generally accepted auditing standards and must include a review of the
13 actuarial assumptions used for establishing the reserves under (a) of
14 this section. The audit report must include certification from a
15 casualty actuary who is a member of the American Academy of Actuaries
16 that the actuarial assumptions continue to be sound and the level of
17 the reserves are adequate.

18 (c) A joint insurance arrangement shall use a method of account-
19 ing that conforms with generally accepted government accounting prin-
20 ciples.

21 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
22 cooperative agreement may authorize the board of directors to enter
23 into contracts for services necessary to perform the functions of a
24 joint insurance arrangement. The person contracting to perform the
25 functions must be appropriately licensed under this title if this
26 title so requires.

27 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
28 ative agreement may delegate to the board of directors, or authorize
29 delegation by the board to another person or group, the power to

1 compromise, arbitrate, or otherwise settle claims on behalf of the
2 arrangement.

3 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
4 authorize the board of directors to purchase excess or catastrophic
5 insurance on behalf of the joint insurance arrangement. The cost of
6 the insurance shall be apportioned in the manner specified in the
7 joint insurance agreement. The board may purchase insurance under
8 this section only from an insurer authorized to do business in the
9 state or from an unauthorized insurer if the insurance is placed
10 through a licensed surplus lines broker.

11 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
12 arrangement shall establish a joint insurance fund. The fund consists
13 of money

14 (1) contributed by members of the joint insurance arrange-
15 ment through budgetary appropriations or transfers from a self-insur-
16 ance reserve; and

17 (2) collected by the joint insurance arrangement through
18 subrogation of a claim paid from the fund to a member of the arrange-
19 ment.

20 (b) An expenditure may be made from a joint insurance fund only
21 to pay claims, losses, or benefits, including interest on them, and
22 the administrative and adjustment expenses incurred in connection with
23 them, involving the types of protection for which the fund provides
24 coverage as specified in the joint insurance agreement.

25 (c) The administrator shall keep the fund separate from other
26 funds of a member of a joint insurance arrangement.

27 (d) For each type of protection offered by the joint insurance
28 arrangement, the method of accounting must show the order, source,
29 date, and amount of each payment from the fund.

1 (e) Within 60 days of the end of the fiscal year, the adminis-
2 trator shall furnish a detailed report of the operation and condition
3 of the fund to the board of directors and the director of insurance.
4 The report furnished to the director of insurance shall be available
5 for public inspection.

6 (f) Money held by a fund as reserves and money not needed for
7 daily operations may be invested by the board of directors.

8 (g) A fund may not be terminated unless the administrator certi-
9 fies that an amount of money sufficient to pay accrued and contingent
10 expenditures has been placed in a fully collateralized escrow account.

11 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
12 shall file a copy of the cooperative agreement with the director of
13 insurance at least 60 days before the effective date of the agreement.
14 The agreement shall be available for public inspection.

15 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
16 thorize the board of directors to adopt regulations not inconsistent
17 with law for the fair and equitable administration of the joint insur-
18 ance arrangement and the joint insurance fund.

19 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
20 a cause of action for reimbursement of money paid to a participating
21 member for a loss or injury if the participating member recovers money
22 for the loss or injury from a third party. The joint insurance ar-
23 rangement also has a direct cause of action for reimbursement against
24 a third party responsible for loss or injuries sustained by a partic-
25 ipating member if the joint arrangement has paid money to the partic-
26 ipating member for the loss or injuries.

27 Sec. 21.76.900. DEFINITIONS. In this chapter

28 (1) "adjustment expenses" means expenses for investigative,
29 processing, legal, actuarial, arbitration, and settlement services

1 incurred in the adjustment of losses, claims, or benefits;

2 (2) "administrator" means a person or group appointed by
3 the board of directors to administer a joint insurance arrangement or
4 a joint insurance fund;

5 (3) "board" or "board of directors" means the board of
6 directors provided for in a cooperative agreement;

7 (4) "cooperative agreement" means a written agreement
8 entered into by two or more entities described in AS 21.76.010 for the
9 purpose of establishing, operating, or participating in a joint insur-
10 ance arrangement;

11 (5) "fund" or "joint insurance fund" means a fund estab-
12 lished under AS 21.76.080;

13 (6) "joint insurance arrangement" means a joint insurance
14 arrangement authorized under AS 21.76.010.

15 * Sec. 13. AS 21.39.155(a) is amended to read:

16 (a) The director may require carriers, except a reciprocal
17 insurer formed by and insuring only a group of municipalities or
18 nonprofit public utilities under AS 21.75 or a joint insurance ar-
19 angement formed under AS 21.76, as a condition of writing a line of
20 insurance dealing with workers' compensation, to participate in an
21 assigned risk pool if the director finds that mandatory carrier part-
22 icipation is in the public interest.

23 * Sec. 14. AS 21.80.180(5) is amended to read:

24 (5) "insolvent insurer" means an insurer

25 (A) authorized to transact insurance in this state,
26 except an assessable reciprocal insurer formed by and insuring
27 only municipalities or nonprofit public utilities, a joint insur-
28 ance arrangement formed under AS 21.76, the Medical Indemnity
29 Corporation of Alaska, and the Health Care Providers Joint

1 Underwriting Association established under AS 21.88, either at
2 the time the policy was issued or when the insured event
3 occurred, and

4 (B) determined to be insolvent by a court of compe-
5 tent jurisdiction;

6 * Sec. 15. AS 21.80.180(6) is amended to read:

7 (6) "member insurer" means a person, except an assessable
8 reciprocal insurer formed by and insuring only municipalities or
9 nonprofit public utilities, a joint insurance arrangement formed under
10 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
11 Care Providers Joint Underwriting Association established under
12 AS 21.88, who

13 (A) writes any kind of insurance to which this chap-
14 ter applies under AS 21.80.020 including the exchange of recipro-
15 cal or interinsurance contracts, and

16 (B) is licensed to transact insurance in this state;

17 * Sec. 16. AS 21.36.210(e), 21.36.230, and 21.36.300 are repealed.

18 * Sec. 17. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).

Introduced: 2/13/86
Referred: Labor and Commerce
and Finance

1 IN THE SENATE

BY JOSEPHSON

2

SENATE BILL NO. 404

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 insurance; authorizing joint

7

insurance arrangements; repealing a prohibition

8

against certain types of group insurance; and provid-

9

ing for an effective date."

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

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

12

CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

13

Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-

14

MENTS. (a) Municipalities, school districts, and regional educa-

15

tional attendance areas may enter into cooperative agreements with

16

each other for the purpose of establishing, operating, or participat-

17

ing in joint insurance arrangements through which the participating

18

members agree to pool contributions and

19

(1) assume risks from losses on a group basis; or

20

(2) purchase coverage on a group basis.

21

(b) A joint insurance arrangement may be for any kind of insur-

22

ance defined by this title except for

23

(1) life, annuity, disability, and title insurance; and

24

(2) surety.

25

(c) A joint insurance arrangement shall be considered an alter-

26

native or supplement to any other policy or contract of insurance

27

authorized or required by law, including insurance under AS 21.75.

28

Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint

29

insurance arrangement may not be considered insurance for the purpose

1 of any other law of the state and is not subject to regulations of the
2 director except as expressly provided in this chapter.

3 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
4 cooperative agreement shall provide for the proper operation of the
5 joint insurance arrangement, and include provisions for

6 (1) administration of the arrangement by a board of direc-
7 tors, specifying the number of members of the board and other require-
8 ments necessary for the proper functioning of the board;

9 (2) appointment of an administrator and other persons as
10 necessary for the proper functioning of the arrangement;

11 (3) organization of the arrangement, including a roster of
12 participating members and the names of the members of the board of
13 directors;

14 (4) procedures to establish and promote an aggressive risk
15 management and program among the members of the arrangement, including
16 procedures for identifying and reducing the risks that can be reduced
17 through implementing better safety technologies and improved work
18 techniques and procedures;

19 (5) enforcing the collection of contributions or payments
20 in default from members of the arrangement;

21 (6) the addition of new members to the arrangement or the
22 withdrawal of members from the arrangement;

23 (7) the method of apportioning costs and disposition of
24 excess contributions;

25 (8) transmission of financial statements and audit reports
26 of the arrangement to participating members;

27 (9) terminating the arrangement and disposing of its as-
28 sets; and

29 (10) establishing and administering a joint insurance fund.

1 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
2 cooperative agreement must include a provision requiring an annual
3 determination by a casualty actuary who is a member of the American
4 Academy of Actuaries that procedures for establishing reserves for
5 losses of the joint insurance arrangement are actuarially sound.

6 (b) A joint insurance arrangement shall be subject to an annual
7 independent audit. The audit shall be conducted in accordance with
8 generally accepted auditing standards and must include a review of the
9 actuarial assumptions used for establishing the reserves under (a) of
10 this section. The audit report must include certification from a
11 casualty actuary who is a member of the American Academy of Actuarie.
12 that the actuarial assumptions continue to be sound and the level of
13 the reserves are adequate.

14 (c) A joint insurance arrangement shall use a method of account-
15 ing that conforms with generally accepted government accounting prin-
16 ciples.

17 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
18 cooperative agreement may authorize the board of directors to enter
19 into contracts for services necessary to perform the functions of a
20 joint insurance arrangement. The person contracting to perform the
21 functions must be appropriately licensed under this title if this
22 title so : res.

23 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
24 ative agreement may delegate to the board of directors, or authorize
25 delegation by the board to another person or group, the power to
26 compromise, arbitrate, or otherwise settle claims on behalf of the
27 arrangement.

28 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
29 authorize the board of directors to purchase excess or catastrophic

1 insurance on behalf of the joint insurance arrangement. The cost of
2 the insurance shall be apportioned in the manner specified in the
3 joint insurance agreement. The board may purchase insurance under
4 this section only from an insurer authorized to do business in the
5 state or from an unauthorized insurer if the insurance is placed
6 through a licensed surplus lines broker.

7 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
8 arrangement shall establish a joint insurance fund. The fund consists
9 of money

10 (1) contributed by members of the joint insurance arrange-
11 ment through budgetary appropriations or transfers from a self-
12 insurance reserve; and

13 (2) collected by the joint insurance arrangement through
14 subrogation of a claim paid from the fund to a member of the arrange-
15 ment.

16 (b) An expenditure may be made from a joint insurance fund only
17 to pay claims, losses, or benefits, including interest on them, and
18 the administrative and adjustment expenses incurred in connection with
19 them, involving the types of protection for which the fund provides
20 coverage as specified in the joint insurance agreement.

21 (c) The administrator shall keep the fund separate from other
22 funds of a member of a joint insurance arrangement.

23 (d) For each type of protection offered by the joint insurance
24 arrangement, the method of accounting must show the order, source,
25 date, and amount of each payment from the fund.

26 (e) Within 60 days of the end of the fiscal year, the adminis-
27 trator shall furnish a detailed report of the operation and condition
28 of the fund to the board of directors and the director of insurance.

29 The report furnished to the director of insurance shall be available

1 for public inspection.

2 (f) Money held by a fund as reserves and money not needed for
3 daily operations may be invested by the board of directors.

4 (g) A fund may not be terminated unless the administrator certi-
5 fies that an amount of money sufficient to pay accrued and contingent
6 expenditures has been placed in a fully collateralized escrow account.

7 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
8 shall file a copy of the cooperative agreement with the director of
9 insurance at least 60 days before the effective date of the agreement.
10 The agreement shall be available for public inspection.

11 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
12 thorize the board of directors to adopt regulations not inconsistent
13 with law for the fair and equitable administration of the joint insur-
14 ance arrangement and the joint insurance fund.

15 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
16 a cause of action for reimbursement of money paid to a participating
17 member for a loss or injury if the participating member recovers money
18 for the loss or injury from a third party. The joint insurance
19 arrangement also has a direct cause of action for reimbursement
20 against a third party responsible for loss or injuries sustained by a
21 participating member if the joint arrangement has paid money to the
22 participating member for the loss or injuries.

23 Sec. 21.76.900. DEFINITIONS. In this chapter

24 (1) "adjustment expenses" means expenses for investigative,
25 processing, legal, actuarial, arbitration, and settlement services
26 incurred in the adjustment of losses, claims, or benefits;

27 (2) "administrator" means a person or group appointed by
28 the board of directors to administer a joint insurance arrangement or
29 a joint insurance fund;

1 (3) "board" or "board of directors" means the board of
2 directors provided for in a cooperative agreement;

3 (4) "cooperative agreement" means a written agreement
4 entered into by two or more entities described in AS 21.76.010 for the
5 purpose of establishing, operating, or participating in a joint insur-
6 ance arrangement;

7 (5) "fund" or "joint insurance fund" means a fund estab-
8 lished under AS 21.76.080;

9 (6) "joint insurance arrangement" means a joint insurance
10 arrangement authorized under AS 21.76.010.

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

12 (a) The director may require carriers, except a reciprocal
13 insurer formed by and insuring only a group of municipalities or
14 nonprofit public utilities under AS 21.75 or a joint insurance ar-
15 angement formed under AS 21.76, as a condition of writing a line of
16 insurance dealing with workers' compensation, to participate in an
17 assigned risk pool if the director finds that mandatory carrier part-
18 icipation is in the public interest.

19 * Sec. 3. AS 21.80.180(5) is amended to read:

20 (5) "insolvent insurer" means an insurer

21 (A) authorized to transact insurance in this state,
22 except an assessable reciprocal insurer formed by and insuring
23 only municipalities or nonprofit public utilities, a joint insur-
24 ance arrangement formed under AS 21.76, the Medical Indemnity
25 Corporation of Alaska, and the Health Care Providers Joint Under-
26 writing Association established under AS 21.88, either at the
27 time the policy was issued or when the insured event occurred,
28 and

29 (B) determined to be insolvent by a court of

1 competent jurisdiction;

2 * Sec. 4. AS 21.80.180(6) is amended to read:

3 (6) "member insurer" means a person, except an assessable
4 reciprocal insurer formed by and insuring only municipalities or
5 nonprofit public utilities, a joint insurance arrangement formed under
6 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
7 Care Providers Joint Underwriting Association established under
8 AS 21.88, who

9 (A) writes any kind of insurance to which this chap-
10 ter applies under AS 21.80.020 including the exchange of recipro-
11 cal or interinsurance contracts, and

12 (B) is licensed to transact insurance in this state;

13 * Sec. 5. AS 21.36.190 is repealed.

14 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

CHAPTER = 21.36
SECTION = 21.36.190
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.190.
CATCH LINE

FICTITIOUS GROUPS.

TEXT (a) An insurer, whether an authorized or unauthorized insurer, may not make available through a rating plan or form, property, casualty or surety insurance to a firm, corporation, or association of individuals, a preferred rate or premium based upon a fictitious group of the firm, corporation, or association of individuals.

(b) A form or plan of insurance covering a group or combination of persons or risks may not be written or delivered inside or outside this state to cover persons or risks in this state at a preferred rate or on a form other than that offered to persons not in the group or combination and to the public generally, unless the form, plan of insurance, and the rates or premiums to be charged have been submitted to and approved by the director as being not unfairly discriminatory and not otherwise in conflict with (a) of this section or with AS 21.39 to the extent that AS 21.39 is, by its terms, applicable to it.

(c) This section does not apply to mortgage guaranty insurance, life insurance, disability insurance, or annuity contracts.

(d) This section does not apply to workers' compensation insurance when issued to an association of employers formed for purposes other than the purchase of insurance and that

(1) has a constitution and bylaws;

(2) incorporates a safety program;

(3) as a group has preferred characteristics over similar risks written on an individual basis; and

(4) has filed and received approval from the director for the rating program to be applied to the group.

HISTORY (Sec. 1 ch 120 SLA 1966; am sec. 9 ch 206 SLA 1976; am sec. 1 ch 75 SLA 1977)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.195
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION sec. 21.36.195.
CATCH LINE
SURPLUS LINES BROKERS; PROHIBITED ACTS.
TEXT A surplus lines broker may not fail to provide the evidences of insurance, affidavits, filings, or reports, or fail to maintain the records, or fail to pay the taxes and fees, required under AS 21.34.
HISTORY (Sec. 22 ch 117 SLA 1984)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.200
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.200.
CATCH LINE
FALSE APPLICATIONS, CLAIMS, PROOFS OF LOSS.
TEXT Repealed, sec. 22 ch 149 SLA 1984.

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.210
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.210.
CATCH LINE
LIMITS ON CANCELLATION.
TEXT (a) An insurer may not exercise its right to cancel an automobile insurance policy except for the following reasons:
(1) nonpayment of premium; or
(2) the driver's license or motor vehicle registration of either the named insured or of an operator who resides in the same household as the named insured or who customarily operates a motor vehicle insured under the policy has been under suspension or revocation during the policy period or,

if the policy is a renewal, during its policy period or the 180 days immediately preceding its effective date.

(b) During the policy period, a modification of automobile physical damage coverage, except coverage for loss caused by collision, whereby provision is made for the application of a deductible amount not exceeding \$100 is not a cancellation of the coverage or of the policy.

(c) Renewal of a policy does not constitute a waiver or estoppel with respect to grounds for cancellation that existed before the effective date of the renewal.

(d) This section does not apply to the failure to renew a policy, except as to coverage in force for less than 12 months.

(e) An insurer may not cancel an insurance policy that covers

(1) loss of or damage to real property that is used predominantly for residential purposes and does not consist of more than four dwelling units;

(2) loss of or damage to personal property, including but not limited to personal effects, household furniture, fixtures and equipment located in not more than four dwelling units; or

(3) legal liability of natural persons for loss of, damage to or injury to persons or property when the insurance does not cover liability arising from or in connection with business or commercial activities.

(f) Notwithstanding (e) of this section, an insurer may cancel a policy of the type described in

(e) of this section if one of the following conditions or circumstances arises:

(1) nonpayment of premiums, including nonpayment of additional premiums, calculated in accordance with the current rating manual of the insurer, justified by a physical change in the insured property or a change in its occupancy or use;

(2) conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;

(3) discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy;

(4) discovery of a grossly negligent act or omission by the insured that substantially increases the hazards insured against;

(5) physical changes in the insured property that result in the property becoming uninsurable.

HISTORY (Sec. 1 ch 28 SLA 1970; am sec. 1 ch 13 SLA 1972)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.220
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.220.
CATCH LINE

NOTICE OF CANCELLATION.
TEXT An insurer may not exercise its right to cancel a policy unless a written notice of cancellation is mailed or delivered to the named insured, at the address shown in the policy, at least 20 days before the effective date of cancellation, except that when cancellation is for nonpayment of premium the notice shall be mailed or delivered to the named insured at the address shown in the policy at least 10 days before the effective date of cancellation and shall include or be accompanied by a statement of the reason for the cancellation. This section does not apply to the failure to renew a policy, except as to coverage in force for less than 12 months.
HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.230
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.230.
CATCH LINE

STATEMENT OF REASONS.
TEXT A notice of cancellation issued under AS 21.36.210(a)(2) or (f) shall either state the reasons for the cancellation, or contain a statement that upon the written request of the named insured, mailed or delivered to the insurer at least 10 days before the effective date of cancellation, the insurer will specify in writing the reason for the cancellation. If the reason for cancellation is not included in the notice of cancellation, the insurer shall upon written request of the named insured specify in writing the reason for cancellation. The insurer shall mail or deliver this explanation to the named insured within 10 days after receipt of a written request. Failure to specify the reason following a request constitutes a violation of this title, but does not invalidate the cancellation.
HISTORY (Sec. 1 ch 28 SLA 1970; am sec. 4 ch 13 SLA 1972)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.240
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.240.
CATCH LINE

FAILURE TO RENEW.

TEXT An insurer may not fail to renew a policy in force for less than 12 months. An insurer may not fail to renew a policy in force for 12 months or more unless a written notice of nonrenewal is mailed or delivered to the named insured, at the address shown in the policy, at least 20 days before the expiration date of the policy, or of the anniversary date of a policy written for a term longer than one year or with no fixed expiration date. This section does not apply

- (1) if the insurer has in good faith manifested in any way its willingness to renew;
- (2) in case of nonpayment of premium for the expiring policy; or
- (3) if the insured fails to pay the premium as required by the insurer for renewal.

HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.250
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.250.
CATCH LINE

NOTICE OF ELIGIBILITY.

TEXT When a policy of automobile liability insurance is cancelled, other than for nonpayment of premium, or for failure to renew a policy of automobile liability insurance to which AS 21.36.240 applies, the insurer shall notify the named insured of possible eligibility for automobile insurance through the automobile assigned risk plan, or automobile insurance plan. The notification shall accompany or be included in the notice of cancellation or nonrenewal required by AS 21.36.230 and 21.36.240.

HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.260
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.260.
CATCH LINE
PROOF OF MAILING.
TEXT Proof of mailing of notice of cancellation, or of nonrenewal or
of reasons for cancellation, to the named insured at the address
shown in the policy, is sufficient proof of notice.
HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.270
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.270.
CATCH LINE
EFFECT OF FAILURE TO COMPLY.
TEXT Notwithstanding the failure of an insurer to comply with AS
21.36.210 - 21.36.310, termination of coverage under the policy
either by cancellation or nonrenewal is effective on the
effective date of any other policy providing similar coverage on
the same risk or motor vehicle or a replacement of it.
HISTORY (Sec. 1 ch 28 SLA 1970; am sec. 2 ch 13 SLA 1972)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.280
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.280.
CATCH LINE
IMMUNITY OF INSURER, DIRECTOR AND INFORMER.
TEXT There is no liability on the part of, and a cause of action of
any nature may not arise against, the director of insurance or
against an insurer, its authorized representatives, agents, or
employees, or a person furnishing to the insurer information as
to reasons for cancellation, for any statement made by any of
them in a written notice of cancellation, or in any other
communication, oral or written, specifying the reasons for
cancellation, or the providing of information pertaining to a

cancellation or for statements made or evidence submitted at a hearing conducted in connection with a cancellation. However, this immunity from liability does not apply when the information furnished or statement made is untrue and the person furnishing the information or making the statement knew of the lack of truth or was grossly negligent in ascertaining the truth.

HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.290
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.

CITATION Sec. 21.36.290.

CATCH LINE

POLICY PERIOD.

TEXT A policy with a policy period or term of less than 12 months shall, for the purposes of AS 21.36.210 21.36.310 be considered to be written for a policy period or term of 12 months except in case of cancellation under any of the circumstances specified in AS 21.36.210, and a policy written for a term longer than one year or a policy with no fixed expiration date shall be considered to be written for successive policy periods or terms of one year and termination by an insurer effective on an anniversary date of the policy shall be considered a failure to renew.

HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.300
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.

CITATION Sec. 21.36.300.

CATCH LINE

APPLICABILITY OF AS 21.36.210 - 21.36.310.

TEXT AS 21.36.210 - 21.36.310 do not apply to any
(1) policy that has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal policy;
(2) policy issued under an automobile assigned risk plan or automobile insurance plan;
(3) policy insuring more than four motor vehicles;
(4) policy covering the operation of a garage,

automobile sales agency, repair shop, service station or public parking place;

(5) policy providing insurance only on an excess basis; or

(6) other contract providing insurance to the named insured even though the contract may incidentally provide insurance with respect to motor vehicles.

HISTORY (Sec. 1 ch 28 SLA 1970)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.310
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.310.
CATCH LINE

DEFINITIONS.
TEXT In AS 21.36.210 - 21.36.310

(1) "nonpayment of premium" means failure of the named insured to discharge when due any obligations of the named insured in connection with the payment of premium on a policy, or any installment of the premium, whether the premium is payable directly to the insurer or its agent or indirectly under any premium finance plan or extension of credit;

(2) "policy" means an insurance policy covering the risks and exposures listed in AS 21.36.210(e) or an automobile policy that includes automobile liability coverage, uninsured motorist coverage, automobile medical payments coverage, or automobile physical damage coverage, delivered or issued for delivery in this state, insuring as the named insured, one individual or husband and wife resident of the same household, and under which the insured vehicles are of the following types only:

(A) a motor vehicle of the private passenger or station wagon type that is not used as a public or livery conveyance, nor rented to others; or

(B) any other four-wheel motor vehicle with a load capacity of 1,500 pounds or less that is not used in the occupation, profession or business of the insured, nor used as a public or livery conveyance nor rented to others;

(3) "renewal" or "renew" means

(A) the issuance and delivery by an insurer of a policy replacing at the end of the policy period a policy previously issued and delivered by the same insurer,

(B) the issuance and delivery of a certificate or notice extending the term of a policy beyond its policy

period or term, or

(C) the extension of the term of a policy beyond its policy period or term under a provision for extending the policy by payment of a continuation premium.

HISTORY (Sec. 1 ch 28 SLA 1970; am sec. 3 ch 13 SLA 1972)

END OF DOCUMENT

CHAPTER = 21.80
SECTION = 21.80.020
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 80.
Alaska Insurance Guaranty Association Act.
CITATION Sec. 21.80.020.
CATCH LINE
APPLICABILITY.
TEXT This chapter applies to all kinds of direct insurance, except life, title, surety, disability, credit, mortgage guaranty, and ocean marine insurance.
HISTORY (Sec. 1 ch 121 SLA 1970)

RO601 * END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

CHAPTER = 21.80
SECTION = 21.80.180
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 80.
Alaska Insurance Guaranty Association Act.
CITATION Sec. 21.80.180.
CATCH LINE
DEFINITIONS.
TEXT In this chapter, unless the context requires otherwise,
(1) "account" means any one of the three accounts created by AS 21.80.040;
(2) "association" means the Alaska Insurance Guaranty Association;
(3) Repealed, sec. 20 ch 21 SLA 1985.
(4) "covered claim" means an unpaid claim, including one of unearned premiums, which arises out of and is within the coverage and not in excess of the applicable limits of an insurance policy to which this chapter applies issued by an insurer, if the insurer becomes an insolvent insurer after August 6, 1970, and (A) the claimant or insured is a resident of this state at the time of the insured event; or
(B) the property from which the claim arises is permanently located in this state; "covered claim" does not include any amount due a reinsurer, insurer,

insurance pool, or underwriting association, as subrogation recoveries or otherwise;

(5) "insolvent insurer" means an insurer

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

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

(6) "member insurer" means a person, except an assessable reciprocal insurer formed by and insuring only municipalities or nonprofit public utilities, the Medical Indemnity Corporation of Alaska, and the Health Care Providers Joint Underwriting Association established under AS 21.88, who

(A) writes any kind of insurance to which this chapter applies under AS 21.80.020 including the exchange of reciprocal or interinsurance contracts, and

(B) is licensed to transact insurance in this state;

(7) "net direct written premiums" means direct gross premiums written in this state on insurance policies to which this chapter applies, less return premiums thereon and dividends paid or credited to policyholders on direct business; "net direct written premiums" does not include premiums on contracts between insurers or reinsurers.

HISTORY (Sec. 1 ch 121 SLA 1970; am secs. 43, 44 ch 102 SLA 1976; am secs. 5, 6 ch 104 SLA 1983; am sec. 20 ch 21 SLA 1985)

R0601 * END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.