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MAR 11 1986


## Senator Vic Fischer

Alaska State Legislature • P.O. Box V • Juneau, Alaska 99811 • (907) 465-4954



### M E M O R A N D U M

To: Senator Fred Zharoff, Chair  
Labor and Commerce Committee

From: Senator Vic Fischer 

Re: Request for hearing SB 444, SB 445, and SCR 35

Dt: March 10, 1986

Attached is a file of background information on SB 444, SB 445, and SCR 35 relating to insurance. I'd appreciate your scheduling all three bills for a hearing before the Labor and Commerce Committee at your earliest convenience.

SB 445 proposes changes in requirements of how the insurance industry operates and provides for a multi-state reinsurance compact with other states.

SB 444 proposes three changes in torts, including a cap on non-economic awards, sliding scale for plaintiff's attorney fees and a periodic payment schedule.

SCR 35 is directed at the need for federal oversight of the insurance industry. The resolution requests the Governor to work with other states to get federal action and reconsideration of the current exemption from federal antitrust laws. The resolution also requests that the Governor look into establishing a state or multistate reinsurance pool.

Please contact me or my staff should you have any questions or need additional information.

# Senator Vic Fischer

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Alaska State Legislature  
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



TO: Interested Parties

RE: Omnibus Insurance Reform bills; SB 444, SB 445, and  
SCR 35.

DT: February 18, 1986

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Today I introduced two bills and a resolution designed to provide Alaskans relief from the insurance crisis.

Many Alaskans are facing crises in cost and availability of general liability insurance. Municipalities, health care providers, architects, engineers, fishermen, truckers, and others from around the state are appealing to legislators to solve the problem.

There is no single or simple solution to the insurance crisis. That can only come about through a combination of state and federal administrative oversight and regulations, development of alternative insurance mechanisms, and changes in the torts. (A tort is a wrong against a person or thing. It is an injury or damage, for which civil action can be brought). In addition, the basic manner in which the insurance industry manages its resources and investments needs to be improved.

The legislation takes an omnibus approach: The bills offer a combination of proposals covering the rights of the insured, roles and duties of Alaska's Division of Insurance, and operation of the insurance industry in the state. The resolution is directed at broader issues of national concern.

SB 445 proposes a number of changes in the way Alaska regulates the insurance industry:

- \* The Division of Insurance is to hire an actuary. An actuary uses statistics to calculate risks and premiums for insurance. An Alaska based actuary would provide local data on industry

needs and fairness of insurance coverage

- \* A consumer advocate section is established in the Division of Insurance. Currently, the Division of Insurance provides consumer assistance on a time available basis. The advocate's responsibility would be to represent the rights and interests of the insured during performance of the divisions duties

The cost of the advocate section would be covered by licenses, fees, and taxes collected by the division from insurance companies operating in the state

- \* An arms-length relationship is required between the Division of Insurance and the Insurance industry
- \* Director of the Division of Insurance is to report on tort awards, status of market assistance plans, and data from insurers on their Alaska operations for 1975-1985
- \* The Division of Insurance is to provide a report by January 1987, on the status of Alaska's insurance problem and list of the division's needs to fulfill its duties
- \* Cancellation of insurance is prohibited except for nonpayment of premium
- \* 60 days prenotification is required in case of nonrenewal
- \* A hearing on rate filing increases of 25% or more must be conducted by the Division of Insurance

SB 444 proposes three changes in torts:

- \* A \$500,000 cap is placed on non-economic awards for general liability cases
- \* A sliding scale is established for plaintiff's attorney fees
- \* Periodic payments are to be made to claimants over 10 years and a bond is required to guarantee that if a company goes out of business an award will still be paid

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SCR 35 requests the Governor to work with the US Congress, the federal administration, and other states to:

- \* Eliminate the current insurance industry exemption from anti-trust laws, and
- \* Look into national regulation of the insurance industry
- \* Establish national and multistate reinsurance arrangements

In 1945 the US Congress exempted insurance companies from federal antitrust laws, therefore regulation of the insurance industry is left to the states. National and multinational corporations constitute the insurance industry. These conglomerates operate in a world wide arena. The national and multinational aspects of the insurance crisis need to be addressed by Congress and the federal administration.

This legislation is, of course, only part of the total effort required to resolve the insurance crisis. Bills pending in the Legislature would establish insurance pools for high risk insurance markets. Such pools need to be supplemented by joint efforts with other states for reinsurance. Reinsurance is used by a company to cover capital for policies written beyond its means. The reinsurance companies are backing away from the market and leaving national and local companies without the capital necessary to cover their costs. Multi-state or national reinsurance would provide insurance companies with protection against major losses that cannot be covered by the companies themselves.

A handwritten signature or set of initials, possibly 'HJ', written in dark ink. The signature is stylized and somewhat abstract, with several overlapping strokes.

## Senator Vic Fischer

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TO: Interested Parties  
FR: Senator Vic Fischer  
RE: Sponsor Substitute to SB 445; establishing a Multi-state reinsurance compact.  
DT: March 7, 1986

The sponsor substitute for SB 445 introduced today adds provisions for a multi-state reinsurance compact to the original bill that deals with the way Alaska regulates the insurance industry.

The compact would:

- \* establish an Interstate Reinsurance Commission, consisting of three resident members from each compacting state, as an agency and corporate body of each compacting state

- \* establish a reinsurance fund made up of money contributed to it by compacting states and premiums paid for reinsurance coverage

- \* require that a study be conducted on the need for insurance and reinsurance in the participating states, the resources for meeting the needs, and the long-range effects of the compact on the availability of insurance rates that are not excessive; study results would be used by the Commission in determining who to provide reinsurance to.

- \* provide the Commission with authority to draft uniform legislation dealing with problems of insurance availability in the compacting states

Compacts between Alaska and other states are fairly common. The state is a member of interstate compacts for education, crime, public advocacy, radio active waste management, placement of children, and tax collection

The reinsurance compact would fill a major void in the current insurance situation and would complement other measures being considered by the legislature. Many companies

operating locally have declined to renew insurance policies because they are unable to get reinsurance -- insurance bought to cover insurance transactions of the insurance companies.

In response to the problem of obtaining reinsurance, a few bills have been introduced in the House that would establish a state reinsurance pool. A problem with an independent Alaska pool is that the state may not have sufficient population and funds to support a reinsurance pool. However, if Alaska were to combine resources with other states, a state reinsurance program might be possible - and one of the major problems insureds are facing might be resolved.

With this addition, SSSB 445 proposes that:

- \* an actuary be hired by the Division of Insurance to calculate risks and premiums for the Alaska insurance market

- \* a public advocate section be established in the Division of Insurance to represent the rights and interests of the insured during performance of the divisions duties

- \* the Division of Insurance maintain an arms length relationship with the Industry

- \* the Division of Insurance report on the Alaska insurance market, the status of the problem, and the division's needs to fulfill its duties

- \* cancellation of insurance premiums be prohibited except for nonpayment of premiums

- \* 60 days notice be required before a policy is denied

- \* the Division of Insurance be required to conduct a hearing for rate filing increases of 25% or more

In February, I also introduced SB 444 that proposes three changes in the torts, and SCR 35 that addresses national and interstate solutions. When combined, these bills provide a comprehensive package directed at the major components of the insurance crisis.