

HCR

2

HCR 2: "Relating to general liability and property insurance"

The Division of Insurance is not in favor of this proposal unless amended. We recommend that lines 27-28 on page 1 be removed, in which case we would support this proposal.

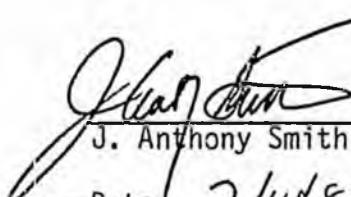
This proposal seeks the repeal of the current antitrust exemption for the insurance industry, which is the principal component of the McCarran - Ferguson Act. It also calls for the exploration of a number of multistate ventures including pooling, reinsurance and general regulation of insurance. It requires a report to the Legislature by January 15, 1988.

The State of Alaska, Division of Insurance, is a member of the National Association of Insurance Commissioners (NAIC). Through this organization, Alaska is currently exploring actions that can be taken on a national or regional basis, including regulation, pooling, reinsurance, examination of insurers, data processing, market access, etc. These activities are ongoing and to a large extent, fruitful.

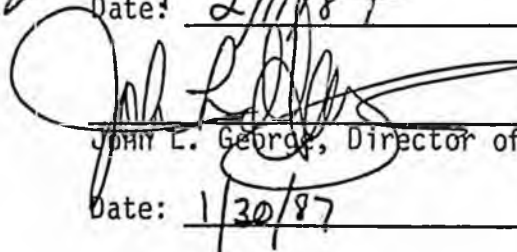
One underlying principle to which the states adhere is the preservation of state regulation of insurance. A number of issues support this attitude including the absolute need for local responsiveness to concerns that are local, the reflection of different needs reflecting the demographics (economic, geographic, political, etc.) of each individual state, the potential for loss of a sizeable tax base, the likelihood for loss of local employment, the reduction of competition in the marketplace, and more.

The antitrust exemption does have its positive side, namely, it enables small companies to engage in a business which would otherwise be possible to only a few giants. Because insurance depends on the principle of spreading risk and the "law of large numbers" it is not possible for a small company to engage in an insurance business without the ability to take some rate actions in concert with others. It would give the new entrant no starting point upon which to base a rate.

The State of Alaska currently derives about \$23 million from the taxation of premiums. If the regulation of insurance were placed at the federal level, there would be a very strong argument that that tax should go to the Federal Government. Alaska has had specific experience with federal regulation of insurance when there was a Federal price freeze during the early 70's. The attitude concerning enforcement left Alaskans without effective voice or protection. We urge that language dealing with repeal of that exemption be removed from this proposal.



 J. Anthony Smith, Commissioner
 Date: 2/11/87



 JOHN L. George, Director of Insurance
 Date: 1/30/87

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: HCR 2

Revision Date: _____
 Title: General liability & property insurance
 Sponsor: Navarre
 Requestor: House Labor & Commerce

Bill Version: HCR 2
 Publish Date: _____

Agency Affected: _____
 BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: David Douley
 Division: House Labor & Commerce

Phone: 465-3892
 Date: 3/12/87

Approved by Commissioner: _____
 Agency: _____

Date: _____

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