

**HB**

**150**

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: HB 150  
(H) Publish Date: 3/9/01

Revision Date/Time (Note if correction): 03/07/2001 2:35p.m. Dept. Affected: DCED  
Title: An Act relating to insurance premiums for BRU: Insurance  
rental motor vehicles Component: Insurance  
Sponsor: House Labor & Commerce  
Requester: House Labor & Commerce Component Number: 354

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)  
This bill has no fiscal impact on this component.

Prepared by: Robert A. Lohr, Director  
Division: Insurance  
Approved by: Commissioner Deborah B. Sedwick  
Agency: Department of Community & Economic Development

Phone 907-269-7900  
Date/Time 03/07/2001 2:35p.m.  
Date 3/7/2001

For distribution information, call the Governor's Legislative Office

*AMY  
@RIKSON*

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## HOUSE LABOR AND COMMERCE COMMITTEE

### Sponsor Statement HB 150

#### **“An Act relating to insurance premiums for rental motor vehicles.”**

House Bill 150 corrects the unintended consequence of Senate Bill 87 enacted in 1999, which requires motor vehicle rental companies to hold funds received from renters who purchase insurance products in separate trust accounts.

Senate Bill 87 gave the director of the Division of Insurance the authority to waive certain bond requirements but failed to do so for fiduciary accounts required of motor vehicle rental agencies. Because of the nominal revenues generated by the incidental sale of insurance, separate trust accounts are extremely impractical and logistically impossible for small rental companies—their primary business is vehicle rental, not insurance. House Bill 150 remedies the waiver omission for motor vehicle companies by eliminating the requirement that funds received be placed in separate fiduciary accounts.

The Division of Insurance and representatives of the rental car industry have worked in tandem to develop the language contained in House Bill 150. The parties agree that the measure corrects the unintended omission of account requirement waivers for motor vehicle rental agencies. I urge your favorable support.

*Alaska*

**Department of Community  
and Economic Development**

**Division of Insurance**

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February 28, 2001

The Honorable Lisa Murkowski  
House of Representatives  
State Capitol, Room 408  
Juneau, AK 99801-1182

Dear Representative Murkowski:

The Alaska Division of Insurance supports HB 150.

In 1999, the legislature enacted SB 87 which required the Division of Insurance to license motor vehicle rental agency personnel conducting the business of insurance by the sale of insurance coverage to rental car customers (AS 21.27.150(a)(7)). The legislation narrowly defines those who would be required to obtain this type of limited license. The legislation, however, did not address the requirement in AS 21.27.360 regarding the maintenance of premiums in a trust account. After further discussion with industry, it was clear that while this requirement is appropriate for full-time producers, it is not practical for receipts from insurance obtained incidental to the rental transaction. The statute does not contain an exemption from this requirement or provide discretion to the director for enforcement of these requirements.

The review of premium trust requirements for licensed motor vehicle rental agency personnel weighed both the practical requirements and cost as well as the protection of the public by ensuring the proper handling and forwarding of premium received. The premium funds obtained through the motor vehicle rental agency transaction is minimal in relation to the entire transaction, but current statute requires that each location maintain a trust account and account for premiums to ensure proper handling. There would be costs incurred for the account and personnel to conduct the accounting. In addition, the motor vehicle rental transaction is often cashless and the trust requirements are geared toward monies received by the producer.

The Honorable Lisa Murkowski

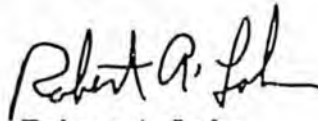
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February 28, 2001

HB 150 recognizes that the premiums received in the transaction are minimal. It provides the insurance company who is to receive the funds the opportunity to agree that a premium trust fund for this type of licensee is not necessary. It is expected that the insurance company will make this decision based on its experience with the motor vehicle rental company and the guarantees the company can make to properly forward premiums to support the risk undertaken. In addition, the proposed statute requires that the insurance premium be itemized in the transaction so that determination of total premium and risk can be made. Overall, I believe that this bill properly balances the public's right to be protected from loss of coverage after premium is paid while keeping the costs of regulatory compliance reasonable.

Thank you for the opportunity to comment on HB 150.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Lohr". The signature is written in a cursive style with a large initial "R".

Robert A. Lohr  
Director

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