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FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 138
 (S) Publish Date: 3/13/01

Revision Date/Time (Note if correction): 02/21/2001 12:10p.m. Dept. Affected: DCED
 Title: Gram-Leach-Bliley Act & Other Insurance BRU: Insurance Operations
 Component: Insurance Operations
 Sponsor: Rules Committee
 Requester: Governor 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						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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. It is covered by funds currently appropriated to the division in the operating budget.

Prepared by: Robert A. Lohr, Director Phone 907-269-7900
 Division: Insurance Date/Time 02/21/2001 12:10p.m.
 Approved by: Commissioner Deborah B. Sedwick Date 2/21/2001
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 9, 2001

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Halford:

I am transmitting this bill to implement needed financial service reforms in our insurance code in compliance with the federal Gramm-Leach-Bliley Act (GLBA). These changes will assist the State in maintaining its regulatory authority over the business of insurance in Alaska. The GLBA repealed depression-era restrictions on the insurance, banking, and securities industries and, more notably, removed some of the barriers that limited banks from engaging in the business of insurance.

Under the GLBA, specific standards are established with respect to consumer privacy, consumer protection, insurance producer licensing, and insurance sales. It requires states to streamline and coordinate their regulatory systems to make them faster, less burdensome, and more effective. This bill reforms our laws to conform to the GLBA and to continue the process of streamlining and coordinating insurance regulation.

Under the bill, the GLBA reforms would focus on three key areas:

- Establishing reciprocity for licensing nonresident insurance producers;
- Implementing the GLBA consumer privacy standards regarding sharing of personal information with affiliates and nonaffiliates; and
- Implementing GLBA consumer protection measures related to the sale of insurance by financial institutions.

These reforms are based on models adopted by the National Association of Insurance Commissioners (NAIC).

A significant portion of the bill would amend AS 21.27, the licensing chapter of the insurance code, to provide for reciprocity in the licensing of nonresident producers. In this context, reciprocity means that a nonresident producer would receive a license to transact insurance in this state to the same extent that the producer is licensed in the producer's home state, without

The Honorable Rick Halford
March 9, 2001
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having to satisfy any additional requirements. Licensing in this state would be accomplished by submitting an application, providing proof of licensing and good standing from the home state, and paying the license fees. Reciprocity also would allow resident producers to obtain licensing in other states without meeting state-specific requirements. All insurance producers, however, would still be subject to state-specific requirements related to unfair trade practices or consumer protection. The bill requires use of uniform applications in an electronic format to speed up insurance licensing.

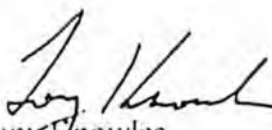
The GLBA requires that at least 29 states adopt either reciprocity or uniformity in insurance producer licensing by November 2002, in order to maintain the authority to license nonresident insurance producers. Otherwise, a national organization authorized under the GLBA would assume that role. Enacting this bill into law in Alaska would achieve reciprocity and thereby help ensure the state retains the authority to license nonresident producers.

Another time-sensitive issue under the GLBA relates to consumer privacy. The federal law sets a minimum privacy standard that states must adopt and enforce by July 1, 2001, or risk losing the authority to enforce state consumer protection standards with respect to financial institution insurance sales. This bill expressly requires those regulated under our insurance statutes to comply with the GLBA privacy standards and authorizes the state director of insurance to adopt corresponding regulations on consumer privacy.

In addition to the GLBA-related reforms, the bill addresses other important issues to facilitate state insurance regulation and to conform to federal law. This includes the ability to obtain national criminal history record checks for persons who want to engage in the business of insurance. It also requires a person with a felony conviction involving dishonesty or breach of trust to obtain the express written consent of the director of insurance before engaging in the business of insurance. Without this consent, federal law prohibits such persons from working in the business of insurance. The amendment under this bill would assist the director of insurance in ensuring that prohibited persons comply with the law.

I urge your prompt and favorable action on this measure.

Sincerely,


Tony Knowles
Governor

Alaska

Department of Community and Economic Development

Division of Insurance

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April 17, 2001

RECEIVED

APR 17 2001

Ans'd.....

The Honorable Robin Taylor
Chair, Senate Judiciary Committee
Alaska State Legislature
State Capitol Room 30
Juneau, AK 99801-1182

Dear Senator Taylor:

RE: CSSB 138 (L&C) "An Act relating to the business of insurance; amending Rule 402, Alaska Rules of Evidence; and providing for an effective date."

On April 12, 2001, CSSB 138 (L&C) passed the Senate Labor and Commerce. It has been referred to your committee with a zero fiscal note. Under this bill, significant changes would be made to the Alaska Insurance Code, AS 21, to accomplish insurance reforms necessitated by the federal Financial Services Modernization Act, Gramm-Leach-Bliley Act (GLBA) enacted in 1999.

One important goal of this bill is to amend AS 21.27, the licensing chapter of the insurance code, to provide for reciprocity in the licensing of nonresidents and avoid the creation of a national organization authorized under GLBA, who would override state licensing authority. It also addresses time-sensitive issues relating to consumer privacy and financial institution sales of insurance. GLBA establishes minimum privacy standard that a state must adopt. If a state fails to adopt minimum privacy standards consistent with the GLBA standards the state risks losing their authority to enforce state consumer protection standards with respect to financial institution insurance sales.

Under GLBA, specific standards are established for producer licensing, consumer privacy, consumer protections, in bank insurance sales. Enacting this bill will accomplish reforms consistent with GLBA and will continue the process of streamlining and coordinating insurance regulation among states.

In addition to addressing the federal GLBA requirements, the bill also makes changes necessary to conform with federal laws and to strengthen, yet also simplify the regulatory process.

For example, the bill include provisions that:

- enables the division to obtain national criminal history record checks for any person who wants to engage in the business of insurance;

The Honorable Robin Taylor

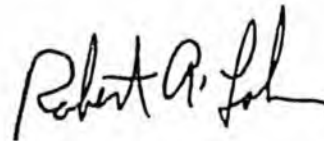
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April 17, 2001

- requires a person with a felony conviction involving dishonesty and breach of trust to obtain the express written consent of the director of insurance before engaging in the business of insurance, as required by and consistent with 18 U.S.C. 1033 and 1034 (Violent Crime Control and Law Enforcement Act of 1994);
- removes the current statutory requirement that an insurance firm with many branch offices license each branch office separately;
- allows multiple insurers within the insurer's holding company system or group to file a single company appointment request;
- gives authority to the director to provide for the electronic submission of information and for electronic confirmation of a requested submission.

I respectfully request you to schedule CSSB 138 (L&C) for hearing in your committee as soon as possible. I would be happy to meet with you to answer any questions you may have on the bill, and to provide any other information you may require. Thank you for considering this request.

Sincerely,



Robert A. Lohr
Director

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AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 138(L&C)

1 Page 23, line 11:

2 Delete "the director may by regulation require a surplus lines broker to"

3 Insert "if required by the director by regulation,"