

SB

289

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 289(L&C)
(S) Publish Date: 2/27/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Insurance RDU Insurance (116)
Component Insurance Operations
Sponsor Labor & Commerce by Request
Requester Labor & Commerce Component No. 354

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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						
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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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation contains numerous changes to Title 21 that are designed to ensure that state statutes are consistent with federal law, the National Association of Insurance Commissioners (NAIC) model acts, standards and guidelines, and to update procedures and transactions and to provide protections to consumers that purchase life, annuity and health insurance. This legislation does not have a fiscal impact on the operations of the division.

Prepared by: Linda S. Hall, Director Phone 907-269-7900
Division: Insurance Date/Time 2/16/06 9:42 AM
Approved by: William C. Noll, Commissioner Date 2/16/2006
Agency: Commerce, Community and Economic Development



Alaska State Legislature

Senator Con Bunde
Senate District P

Vice Chair: Senate Finance Committee
Chair: Senate Labor & Commerce Committee

Sponsor Statement
Senate Bill 289 Insurance
CSSB 289 (FIN)

Senate Bill 289 could be referred to as an *insurance omnibus bill* because it contains numerous changes to Title 21. These improvements are designed to ensure that state statutes are consistent with federal law, the National Association of Insurance Commissioners (NAIC) model acts, standards and guidelines, to update procedures and transactions and to provide protections to consumers. Many of the changes are technical in nature and others are to make terminology more consistent throughout Title 21.

A summary of the general changes made by CSSB 289 (FIN):

1. Provisions to extend "patient bill of rights" which was enacted in 2000 and applied only to group health care insurance plans will be made effective to individual health insurance plans
2. Provisions to make technical changes including substituting the phrase "medical care services" for "health care services" to make the terminology consistent with other parts of AS 21 relating to health insurance
3. Provisions that require insurers providing individual health care insurance to comply with statutes similar to those required of insurers providing group health care insurance
4. Provisions to enact the model law of the NAIC relating to actuarial opinion summary for property and casualty insurers
5. Licensing revisions relating to managing general agents to conform to the NAIC model law and to make license regulation in Alaska consistent with national standards
6. Repeals the small employers Health Reinsurance Association as insurers are not using the mechanism
7. Provisions for mental health parity to be consistent with federal HIPAA law
8. Provisions for changes in the standard non-forfeiture law for individual annuities aimed at limiting unfair practices relating to surrender charges
9. Provisions for technical changes to licensing to achieve national uniformity in producer licensing and improving division efficiency in processing license applications and providing for electronic notices

These changes to Title 21 will promote consistency between Alaska and other states, promote more efficient operations and provide better public protection.



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Labor & Commerce By Request
Current Version: CSSB 289 (FIN)
Contact: Linda Hall 465-2560

Fact Sheet for: Senate Bill 289

Short Title: INSURANCE

Summary:

- Extends certain provisions regulating group health insurance to individual health insurance policies, such as the patient "bill of rights," and prompt payment requirements.
- Includes provisions to enact the National Association of Commissioners model law for actuarial opinion summary for property and casualty insurers.
- Modifies the annuity nonforfeiture law in order to limit excessive surrender charges.
- Modifies requirements for managing general agents and provides technical changes to licensing to conform with national uniformity standards.

Benefits:

- Provides greater consumer protection.
- Makes Alaska licensing more consistent with national standards.
- Promotes more efficient administrative procedures and industry oversight.

Background:

- Many of the revisions are based on model laws of the National Association of Insurance Commissioners and are intended to bring Alaska into greater conformity with national standards. Some of the changes to terminology are to conform to the terms used in federal and state laws. Other changes are intended to bring about greater efficiency in administrative operations and to provide important consumer protections.

Section Analysis of CSSB 289(FIN)
24-LS1563\S

Sec.	Statute	Change	Purpose or Effect
1.	21.06.110(8)	Amended	Modifies the reference consistent with the changes in Sec. 32 and Sec. 38
2.	21.06.160(a)	Amended	Requires examination fees to be paid by an electronic payment method specified by the director.
3.	21.07.010(a)	Amended	AS 21.07 is amended to expand applicability of the provisions to individual health insurance plans. Changes to this subsection: <ul style="list-style-type: none"> ➤ remove reference to "group" since applicability will extend to individual health insurance plans ➤ changes the term "health care services" to "medical care services" since medical care is a defined term used in the federal and state HIPAA laws to refer to health care services
4.	21.07.010(b)	Amended	same as Sec. 3.
5.	21.07.020	Amended	same as Sec. 3.
6.	21.07.030	Amended	same as Sec. 3. and in addition changes <ul style="list-style-type: none"> ➤ the term "enrollee" to "covered person" so that consistent terms are used throughout the chapter; and ➤ "group health plan" to managed care plan" which is the term redefined to include individual health insurance plans.
7.	21.07.040(c)	Amended	As in Sec. 3. changes the term "health care services" to "medical care services" since medical care is a defined term used in the federal and state HIPAA laws to refer to health care services
8.	21.07.050(a)	Amended	As in Sec. 6. changes the term "group health plan" to managed care plan" which is the term redefined to include individual health insurance plans
9.	21.07.050(c)	Amended	As in Sec. 6. changes the term "enrollee" to "covered person" so that consistent terms are used throughout the chapter
10.	21.07.050(d)	Amended	<ul style="list-style-type: none"> ➤ Removes reference to "group managed care plan" since the term is redefined to "managed care plan" and includes individual health insurance plans ➤ As in prior sections changes the term "enrollee" to "covered person"
11.	21.07.050(h)	Amended	As in prior sections changes the term "enrollee" to "covered person"
12.	21.07.060(a)	Amended	Same as Sec. 8.
13.	21.07.060(b)	Amended	Same as Sec. 8.
14.	21.07.060(d)	Amended	Same as Sec. 8.
15.	21.07.080	Amended	As in Sec. 3. changes the term "health care services" to

			"medical care services" since medical care is a defined term used in the federal and state HIPAA laws to refer to health care services
16.	21.07.250(1)	Amended	Same as Sec. 15.
17.	21.07.250(3)	Amended	Same as Sec. 15.
18.	21.07.250(5)	Amended	Same as Sec. 15.
19.	21.07.250(10)	Amended	<ul style="list-style-type: none"> ➤ Removes reference to "group managed care plan" since the term is redefined to "managed care plan" and includes individual health insurance plans ➤ As in Sec. 3. changes the term "health care services" to "medical care services" since medical care is a defined term used in the federal and state HIPAA laws to refer to health care services
20.	21.07.250(12)	Amended	As in prior sections removes reference to "group managed care plan" since the term is redefined to "managed care plan" and includes individual health insurance plans
21.	21.07.250(13)	Amended	As in Sec. 3. changes the term "health care services" to "medical care services" since medical care is a defined term used in the federal and state HIPAA laws to refer to health care services
22.	21.07.250 (15)	Amended	Clarifies definition of "religious nonmedical provider"
23.	21.07.250(16)	Amended	<ul style="list-style-type: none"> ➤ As in Sec. 3. changes the term "health care services" to "medical care services" since medical care is a defined term used in the federal and state HIPAA laws to refer to health care services ➤ As in prior sections removes reference to "group managed care plan" since the term is redefined to "managed care plan" and includes individual health insurance plans
24.	21.07.250(18) and (19)	Amended	Adds new definition of managed care plan to include individual health insurance plans and adds the definition of medical which is the term used throughout 21.07.
25.	21.09.207	New	This section provides an additional tool that the division can use to more quickly identify an insurer that may be in a troubled financial situation by giving the division information on how the insurer's reserves, as shown in the financial statement, compare to the estimates developed by the actuary. A domestic insurer who is required to file a statement of actuarial opinion with the director must now also file an actuarial opinion summary. The actuarial opinion summary is a confidential document that includes the actuary's estimate or range of reasonable estimates of reserves, explains adverse development and any difference between the actuary's estimate and management's reserves as stated in the insurer's annual statement. Confidentiality of the document is necessary as the actuary's indicated reserves

			presented in the summary are not otherwise published and can be taken out of context by the public when evaluating an insurer's financial situation without looking at the full actuarial report, which for some insurer's may be volumes of data and calculations.
26.	21.27.020(c)	Amended	Removes the requirement for corporations to disclose its officers and directors, consistent with national uniformity license requirements.
27.	21.27.020(g)	Amended	Removes reference that one of the continuing education advisory committee representatives be from the limited lines area since the national standards for continuing education do not require continuing education for limited lines licensees.
28.	21.27.040	New	Provides a time period as to when an applicant must act on an incomplete filing; otherwise, the filing will be considered withdrawn.
29.	21.27.620(a)	Amended	Adds a requirement for a managing general agent (MGA) who qualifies for exemption to file a certification with the director; clarifies when the contract and termination must be filed with the director and eliminates additional approval requirements for resident MGAs.
30.	21.27.650(a)	Amended	Streamlines the notification requirement of the third party administrator's employees to key personnel instead of all employees.
31.	21.34.050	Amended	Allows division to publish the white list by posting it on the web site [instead of mailing it]; clarifies that failure to pay the continuation fee or file the required financial statement is grounds for removal from the list; and provides authority that the director may reinstate a company to the list under specific conditions, including the payment of a late fee.
32.	21.36.128	New	Consistent with Sec. 38 contains the prompt pay requirements moved from 21.54.020 and in addition applies the requirements to both individual and group policies.
33.	21.36.260	Amended	Expands authority to allow for electronic communications if electronic confirmation can be obtained.
34.	21.45.305(b)	Amended	Clean-up to make consistent with NAIC Standard Nonforfeiture Law
35.	21.45.305(c)	Amended	Allows director discretion to give an insurer approval to use a higher discount rate for complying with 21.45.305(g)
36.	21.45.305(g)	Amended	Changes to this section will have the effect of limiting surrender charges on an annuity to about 10% and in addition will not allow surrender charges after maturity. Under current law an insurer may set the maturity age at, for example, 115, in order to increase surrender charges. Most annuities are in fact surrendered and do not reach maturity.
37.	21.51.120(a)	Amended	Since the prompt payment provisions in Sec.32. will apply to individual health insurance plans, these sections are amended

			to remove an inconsistency with those provisions.
38.	21.54.020	Amended	Removes the group prompt payment provisions and moves to 21.36.128 in Sec. 32.
39.	21.54.151	New	Adds HIPAA mental health parity provisions. These provisions were originally adopted in 1997 but sunset. Congress continues to extend the parity act and therefore these provisions need to be readopted. No sunset is proposed.
40.	21.56.120(a)	Amended	Removes reference to assessments consistent with the repeal of the Small Employer Health Reinsurance Association.
41.	21.56.140(a)	Amended	This amendment requires the director to approve the basic and standard health plans.
42.	21.56.140	New	Since the Small Employer Health Reinsurance Association is repealed in Sec. 48 and the Association determines the benefits offered in the basic and standard health care insurance plans that insurers are required to offer to small employers, this amendment allows the director to determine the benefits.
43.	21.66.480(8)	Amended	Modifies the definition to require licensure for any officer or salaried employees of a title insurance company that transacts insurance business, consistent with other license classes.
44.	21.90.900(17)	Amended	Modifies the definition, in conformance with national uniform licensing standards.
45.	21.90.900(29)	Amended	Modifies the definition, in conformance with national uniform licensing standards.
46.	25.24.160(b)	Amended	21.54 was amended which required this section to be updated to reflect the new section.
47.	25.24.230(h)	Amended	21.54 was amended which required this section to be updated to reflect the new section.
48.	21.07.250(4); 21.07.250(6); 21.27.900(10); 21.51.110; 21.56.010; 21.56.020; 21.56.030; 21.56.040; 21.56.050 21.56.060 21.56.070; 21.56.075; 21.56.080; 21.56.090; 21.56.100; 21.56.250(6);	Repealed	21.07.250(4) repeals "group managed care plan" which is replaced with "managed care plan" in Sec. 21 and includes individual health insurance plans; 21.27.900(9) is also defined in 21.90.900; 21.07.250(6) repeals "health care services" since that term is replaced with "medical care" services which is already defined in 21.90.900 21.56.010-250 repeals the Small Employer Health Reinsurance Association and references to the association throughout chapter 56.

	21.56.250(9); 21.56.250(17); 21.56.250(19); 21.56.250(22); 21.56.250(24); and 21.56.250(25)		
49.	Uncodified Law	Amended	Makes the changes to Sec. 36 apply only to contracts issued after January 1, 2007 and therefore these provisions would not apply to any contracts that were issued before that date.
50.	Uncodified Law	Amended	Allows transition to allow the Small Employer Health Reinsurance Association to wind up the affairs of the association and provides guidelines for closure.
51.	Effective Date		Makes certain sections effective immediately.
52.	Effective Date		Makes some sections effective January 1, 2007.
53.	Effective Date		Makes other sections effective July 1, 2006.



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Division of Insurance

Frank H. Murkowski, Governor
William C. Noll, Commissioner
Linda S. Hall, Director

April 3, 2006

The Honorable Con Bunde
Senate Labor & Commerce
State Capital

RE: Senate Bill 289

Senator Bunde,

The Division of Insurance strongly supports SB 289. The insurance bill proposes statutory changes that will promote consistency between Alaska and other states, provide increasing public protection, and improve the efficiency of Division operations.

Among the proposed modifications are changes in terminology to conform to terms used in federal and state laws, provisions for additional electronic payments and provisions for electronic notices. Other changes involve continuing reforms to make license regulation in Alaska consistent with national standards, modifications in the annuity nonforfeiture law in order to limit excessive surrender charges, extending certain provisions regulating group health insurance to individual policies and adoption of the National Association of Insurance Commissioners model law for actuarial opinion summary for property and casualty insurers.

I would appreciate support for the measures contained in SB 289.

Thank you.

Sincerely,

Linda S. Hall
Director