

HB

147

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 147
 (H) Publish Date: 2/14/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: Omnibus Insurance RDU: Insurance (116)
 Component: Insurance Operations
 Sponsor: Rules
 Requester: By Request of the Governor Component No.: 354

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	35.0	36.0	37.0	38.0	40.0	41.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0	0.0	0.0	0.0	0.0	0.0
Supplies	2.5	0.0	0.0	0.0	0.0	0.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	38.5	36.0	37.0	38.0	40.0	41.0

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	38.5	36.0	37.0	38.0	40.0	41.0
1037 GF/Men's Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	38.5	36.0	37.0	38.0	40.0	41.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

A Consumer Services Specialist will need to be added to respond to additional inquiries from the public on the union health trust fund provisions.

Prepared by: Linda S. Hall, Director Phone: 907.269.7900
 Division: Insurance Date/Time: 2/14/05 9:48 AM
 Approved by: Edgar Blatchford, Commissioner Date: 2/14/2005
 Agency: Commerce, Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSPR 147(L&C)
 (H) Publish Date: 4/1/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Omnibus Insurance RDU Insurance (116)
 Component Insurance
 Sponsor Rules by request of the Governor
 Requester House Labor & Commerce Component No. 354

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
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 (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation does not have a fiscal impact on the operations of the division since there are no union health trust sections in the current version.

Prepared by: Linda S. Hall, Director Phone 907.269.7900
 Division: Insurance Date/Time 3/29/05 5:58 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/29/2005
 Agency: Commerce, Community, and Economic Development

HOUSE BILL 147 - RULES

I. INTRODUCTION

The Insurance bill proposes statutory changes that will make the regulation of insurance more efficient for the Division and more uniform for industry while at the same time providing increased protection to Alaskan consumers.

II. LICENSING

Proposed changes are to streamline the licensing process and continue efforts to conform to NAIC models and national standards

Sections 1 & 2 – Make the notification to agents of suspension or revocation of an insurer's C of A an insurer's obligation

Sections 8 & 9 – No longer file appointments with DOI and must terminate in writing with notice to DOI if terminated for cause

Section 10 – Allows notice of license renewal by means other than mail

Section 17 – Defines appointment – authorization to act on another's behalf

III. SURPLUS LINES

Minor changes to ease implementation of 2004 changes

Section 18 – Alien insurers file financial reports at the same time as requirements for stockholders reports

Sections 19 & 20 – Minor changes to documents required to be signed by a surplus lines broker

Section 25 – Minor change to documents required to be filed

— Linda ~~Anderson~~ Hall

III. INSURER DEPOSITS

Sections 3 & 4 – Removes the never used option for use of safety deposit boxes

Section 5 – Permits release of an insurer deposit directly to a guaranty fund if right of deposit is assigned to that fund

IV. HEALTH DISCOUNT PLANS

These types of plans are common across the country – From 2000 to 2002 over 200,000 programs were sold and resulted in \$252 million in unpaid claims. In order to protect Alaskan consumers from illegal products, we are seeking to add specific authority to regulate

Section 22 – Add “assertions” and “electronic” to the list of methods that fall under regulation as product sales tools

Section 23 – Adds specific references to health discount plans in the unfair trade practices

Section 31 – Adds to the definition of “transact” the provision of coverage for medical care

Section 32 – Defines health discount plan – discounts or access to discounts that is not insurance

V. 3RD PARTY ADMINISTRATORS

These provisions are to clarify the registration process & the entities required to be registered.

Sections 7, 11 & 12 - Clean up of references defined elsewhere

Sections 13 & 14 – Removes the requirement for an insurer to be registered and adds requirement for exempt entities to certify to eligibility for exemption

Section 14 – Clarifies that insurers must have COS to use TPA and TPA must be registered

Section 15 – Authorizes director to immediately suspend a registration if the TPA is financially impaired or engaged in practices injurious to policyholders

Section 27 – Administrator must be a registered TPA

Section 30 – Expands definition of TPA to cover self funded MEWA and CHIA

VI. OCIP

Owner/Contractor controlled insurance programs are written for large construction projects and cover the insurance needs of the subcontractors on the project. Rules are currently published in the workers' compensation manual and need to be codified. Some attempts to expand these programs into operation and maintenance projects. This would have detrimental effects of markets and individual contractor insurance programs.

Section 3 – Defines the project that will qualify and provides that the program must be approved by the director

VII. OTHER PROVISIONS

Section 26 – Adds the same standards for rate making in health insurance as other lines of insurance – may not be excessive, inadequate or unfairly discriminatory

Sections 28 & 29 – (Title Chapter) Authorizes the director's designee to accept financial statements & requires in same time frame as other insurers (45 days from end of quarter)

Section Analysis of HB 147/F

Sec.	Statute	Change	Purpose or Effect
1	21.09.160	Amended	Removes requirement that the director provide specific notice to agents appointed with an insurer of the suspension or revocation of the insurer's certificate of authority; clarifies automatic suspension or revocation of authority of a managing general agent of an insurer whose certificate of authority has been suspended or revoked.
2	21.09.160(c)	Added	Requires an insurer to notify its agents and managing general agents of the insurer's suspension or revocation.
3.	21.24.040(a)	Amended	Removes never used option for how deposits may be made by deleting references to a safe deposit box.
4.	21.24.040(c)	Amended	Removes never used option for how deposits may be made by deleting references to a safe deposit box.
5.	21.24.130(d)	Amended	Provides public protection by permitting the director to release an insurer's statutory deposits to a guaranty fund of which the insurer is a member, if a right to receive all or a portion of the deposit is assigned to the guaranty fund.
6.	21.27.010(c)	Amended	Removes reference to the functions of a third party administrator since those functions are already part of the definition of a third party administrator in AS 21.90.900; Technical change to reference to the specific third party administrator statutes.
7.	21.27.100	Amended	Eliminates requirement for insurer or managing general agents to file appointments with the division; requires the insurer and producer to maintain a listing of agents/managing general agents and to provide the list upon request of the director.
8.	21.27.110	Amended	Eliminates requirement for an insurer or reinsurer to file termination of appointments with the division since appointments will no longer be filed with the division; however, an insurer or reinsurer will be required to file notice of termination when the termination is for cause.
9.	21.27.380(a)	Amended	Allows the director to notify a licensee of renewal by means other than mail.
10.	21.27.630(b)	Amended	Technical change to replaces the term "class of insurance" with the defined term "class of authority."
11.	21.27.630(c)	Amended	Removes reference to the functions of a third party administrator since those functions are already part of the definition of a third party administrator in AS 21.90.900; Technical change to reference to the specific third party administrator statutes.
12.	21.27.630(k) and (l)	Added	Removes the requirement for an admitted insurer to file and obtain a separate third party administrator registration; adds a

From: Division
of Insurance

			requirement for a third party administrator who qualifies for exemption to file a certification with the director.
13.	21.27.650(a)	Amended	Adds a requirement for a person who meets an exemption provision under the chapter to file a certification with the division.
14.	21.27.650(q)	Added	Authorizes the director to immediately suspend a third party administrator's registration, without advance notice or hearing, if the administrator is insolvent, in bankruptcy, in receivership or other delinquency proceeding or is using methods or practices injurious to policy holders or the public.
15.	21.27.660	Added	Clarifies that the Comprehensive Health Insurance Association and a self-funded multiple employer welfare arrangement under AS 21.85 are considered insurers for purposes of applying the third party administrator provisions in AS 21.27.630-660.
16.	21.27.900(33)	Added	Defines appointment
17.	21.34.040(d)	Amended	Specifies the timing for financial reporting for alien insurers to coincide with their filing dates for stockholder reports; eliminates duplication.
18.	21.34.100(a)	Amended	Makes minor changes to surplus lines filing insurance placement requirements; reflects industry practices.
19.	21.34.100(f)	Amended	Makes minor changes to surplus lines filing insurance placement requirements; reflects industry practices.
20.	21.36.030(a)	Amended	Expands provision prohibiting misrepresentation and false advertising to include electronic communications.
21.	21.36.030(a)	Amended	Expands the provision prohibiting misrepresentation with respect to insurance to include health discount plans. Adds specific prohibitions relating to misrepresentation and false advertising of health discount plans.
22.	21.36.065	Added	Defines the circumstances under which a project owner or a contractor can provide insurance coverage for a large construction project separately from insurance coverage for other projects or operations of the owner or contractor. The owner or contractor controlled insurance program may be used only for a construction project with a contract cost of at least \$50,000,000 for a defined period of time at a specified location. The owner or contractor may use an owner or contractor controlled insurance program only when it has been approved by the director.
23.	21.36.155	Added	Gives the director authority to regulate trade practices of health discount plans and sets forth minimum standards for health discount plans.
24.	21.36.190	Added	Allows for the use of an owner or contractor controlled insurance program only if it meets the requirements in AS 21.12.140.
25.	21.36.195	Amended	Makes minor changes to surplus lines filing insurance

			placement requirements; reflects industry practices.
26.	21.51.405	Added	Requires that rates for health insurance policies not be excessive, inadequate or unfairly discriminatory. The change makes the standards applicable to individual health insurance rates the same as those that apply to other types of insurance and brings Alaska law in line with other states.
27.	21.55.500(16)	Amended	Clarifies that the plan administrator for the Comprehensive Health Insurance Association must be registered as a third party administrator.
28.	21.66.080(a)	Amended	Allows the director to designate the location for filing of financial statements for title insurers to be consistent with other insurers.
29.	21.66.085(b)	Amended	Changes the due date for financial statements for title insurers to be consistent with other insurers.
30.	21.90.900(42)	Amended	Expands the definition of third party administrator to also apply to functions provided in connection coverage offered or provided by a self-funded multiple employer welfare arrangement or the Comprehensive Health Insurance Association.
31.	21.90.900(43)	Amended	Expands definition of transact to apply to the provision of coverage for medical care which is also regulated under title 21.
32.	21.90.900(45) - (47)	Added	Adds a definition for health discount plan.
33.	21.24.040(b); 21.27.330(b); 21.27.650(p)	Repealed	Removes reference to use of safe deposit boxes; eliminates requirement for firms to file and pay a fee for branch offices; and removes provision that defines transact with respect to operating requirements for third party administrators as it has been moved to a definition section at the end of the article pertaining to third party administrators.
34.	Uncodified Law	Amended	Allows regulations for implementation for certain sections but not before those sections are effective.
35.	Effective Date		Makes certain sections effective July 1, 2005.
36.	Effective Date		Makes all other sections effective immediately.