

**SB**

**108**

**SFIN**

**FILE**

SB 108

was referred to the  
Senate Finance  
Committee

Hearing(s) were held

The bill did not move  
from Committee

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SB108  
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February 11, 2005

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting an omnibus insurance bill.

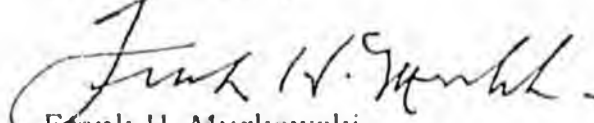
The bill would make changes to certain insurance licensing provisions to provide more efficient licensing processes and to bring Alaska's law into greater conformity with other states' laws. It would make minor changes to the surplus lines statutes to clean up language and to make reporting easier for alien insurers.

The bill also would make changes to the requirements for the administration of insurer deposits and would provide authorization for insurer deposits to be paid to the state insurance guaranty funds rather than becoming an asset of an insolvent insurer. Finally, the bill would give the Division of Insurance in the Department of Commerce, Community, and Economic Development the authority to regulate health discount plans, would clarify the state's regulation of guaranteed auto protection products and motor vehicle service contracts, and would provide for oversight of certain self-funded governmental plans.

A sectional analysis, describing the bill in more detail, is available from the division of insurance.

In sum, this omnibus insurance bill will make the regulation of insurance more efficient for the state, easier for industry, and at the same time give heightened protection to Alaska insurance consumers. I urge your prompt and favorable action on this measure.

Sincerely yours,

  
Frank H. Murkowski  
Governor

Enclosure

COMMITTEE COPY

## Section Analysis of SB 108/Y

Sec.	Statute	Change	Purpose or Effect
1	21.06.130(a)	Amended	Replaces the term "considers advisable" with "has reasonable cause" in examining or requiring documents & records from producers
2	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.
3	21.09.160(c)	Added	Requires an insurer to notify its agents and managing general agents of the insurer's suspension or revocation.
4	21.24.040(a)	Amended	Removes never used option for how deposits may be made by deleting references to a safe deposit box.
5	21.24.040(c)	Amended	Removes never used option for how deposits may be made by deleting references to a safe deposit box.
6	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.
7	21.27.010(c)	Amended	Removes reference to the functions of a third party administrator since those are defined in AS 21.90.900; changes reference to the specific third party administrator statutes.
8	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.
9	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.
10	21.27.380(a)	Amended	Allows the director to notify a licensee of renewal by means other than mail.
11	21.27.630(b)	Amended	Replaces the term "class of insurance" with the defined term "class of authority."
12	21.27.630(c)	Amended	Removes reference to the functions of a third party administrator since those are defined in AS 21.90.900.
13	21.27.630(k) and (l)	Added	Removes the requirement of an admitted insurer to file and obtain a separate third party administrator registration; adds a requirement for a third party administrator who qualifies

			for exemption to file a certification with the director.
14	21.27.650(a)	Amended	Includes a requirement for a person who meets an exemption provision under the chapter to file a certification with the division.
15	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.
16	21.27.660	Added	Clarifies that the Comprehensive Health Insurance Association is considered an insurer for the purposes of a person who acts as a third party administrator on behalf of that association
17	21.27.900(33)	Added	Defines appointment
18	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.
19	21.34.100(a)	Amended	Makes minor changes to surplus lines filing insurance placement requirements; reflects industry practices.
20	21.34.100(f)	Amended	Makes minor changes to surplus lines filing insurance placement requirements; reflects industry practices.
21	21.36.030(a)	Amended	Expands provision prohibiting misrepresentation and false advertising to include electronic communications.
22	21.36.030(a)	Amended	Adds reference to health discount plans to give the director authority to regulate trade practices of health discount plans that are not otherwise regulated under AS 21; specifies that misleading references to health discount plans are considered unfair trade practices.
23	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.
24	21.36.155	Added	Adds provision to give the director authority to regulate trade practices of health discount plans that are not otherwise regulated under AS 21 and establishes guidelines for regulation of these products.
25	21.36.190	Added	Allows for the use of an owner or contractor controlled insurance program only if it meets the requirements in AS 21.36.065

26	21.36.195	Amended	Makes minor changes to surplus lines filing insurance placement requirements; reflects industry practices
27	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.
28	21.55.500(16)	Amended	Clarifies that the plan administrator for the Comprehensive Health Insurance Association must be registered as a third party administrator.
29	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.
30	21.66.085(b)	Amended	Changes the due date for financial statements for title insurers to be consistent with other insurers.
31	21.85.200 - .230	Added	Provides for division oversight of certain self-funded governmental plans that are exempt from coverage under the state's group plan.
32	21.85.500	Added	Defines self-funded governmental plans.
33	21.90.900(42)	Amended	Expands definition of third party administrators to include administrators for the Comprehensive Health Insurance Association or for self-funded employer plans subject to AS 21.85.
34	21.90.900(43)	Amended	Expands definition of transact to apply in the context of providing coverage for medical care.
35	21.90.900(45) - (47)	Added	Adds definition for health discount plan
36	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.
37	Uncodified Law	Amended	Allows regulations for implementation for certain sections but not before those sections are effective.
38	Uncodified Law	Amended	Provides revisors instructions regarding title of section 21.85 and restructuring of section into three articles.
39	Effective Date		Makes certain sections effective July 1, 2005.
40	Effective Date		Makes all other sections effective immediately.

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 2/14/05

FURTHER: Finance

Date of 5-Day Notice: 3/24/05  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4/15/05

Labor and Commerce Committee considered SENATE BILL NO. 108

**SB 108 INSURANCE**

"An Act relating to the regulation of insurance, insurance licensing, surplus lines, insurer deposits, motor vehicle service contracts, guaranteed automobile protection products, health discount plans, third-party administrators, self-funded multiple employer welfare arrangements, and self-funded governmental plans; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 108 (LEC) \* new title
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DCED	2/14/05	✓			1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		Do PASS	Do NOT PASS	No REC	AMEND
Davis	<i>Betty Davis</i>			<input checked="" type="checkbox"/>	
ELLIS	<i>Ellis</i>			<input checked="" type="checkbox"/>	
B. Stevens	<i>Sen Stevens</i>	<input checked="" type="checkbox"/>			
Bunde	CHAIR: <i>Bunde</i>	<input checked="" type="checkbox"/>			