

HB

343

<TARGET><BILL>HB 343</BILL><SUBJECT>HB
343</SUBJECT><COMM>HL&C30</COMM></TARGET>



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Commerce, Community,
and Economic Development**

OFFICE OF THE COMMISSIONER

P.O. Box 110800
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MEMORANDUM

TO: Representative Sam Kito, Chair
House Labor and Commerce Committee

DATE: Monday, February 12, 2018

FROM: Mike Navarre, Commissioner *MN*

RE: Hearing request for HB 343

Please accept this request to schedule HB 343 – Premium Finance Companies: Exam Requirements for consideration by the House Labor and Commerce Committee.

This legislation exempts premium finance companies from the 18 month mandatory examination cycle licensed financial institutions are subject to while retaining the department's authority to conduct an examination as needed.

If you have any questions regarding this hearing request, please feel free to contact Micaela Fowler at 465-2503.

Enclosures

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Governor Bill Walker
STATE OF ALASKA

February 8, 2018

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Edgmon:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the examination of premium financing companies.

This bill makes a change to the banks and financial institutions code relating to the examination of financial institutions (AS 06.01).

The bill amends section AS 06.01.015 by exempting premium finance companies from the required examination, at least every 18 months, of financial institutions licensed under the banks and financial institutions code. Premium finance companies are licensed and regulated under AS 06.40 and are defined under AS 06.40.190(4) as "a person engaged in the business of entering into premium finance agreements with borrowers or of acquiring premium finance agreements from insurance agents, brokers or other premium finance companies." A premium finance agreement is defined in AS 06.40.190(3) as an agreement where the borrower agrees to pay a premium finance company for an amount advanced by the premium finance company to an insurer, or agent, or broker, in payment of premiums on an insurance policy.

Historically, premium finance companies are located outside of Alaska; the Division of Banking and Securities staff have found no substantive problems with violations of Alaska law by these companies. Additionally, premium finance companies primarily fund commercial insurance premiums, not premiums for individual consumers.

Under this bill, premium finance companies would no longer be subject to the mandatory examination requirement of AS 06.01.015, but would still be subject to examination as needed under AS 06.40.100. This would reduce the regulatory burden on both the companies and division of banking and securities staff and resources to focus on higher risk areas.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure



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HB 343 ver A: Premium Finance Companies: Exam Requirements
Sectional Analysis

Section 1: Amends AS 06.01.015(a) to exempt premium finance companies from an examination every 18 months and allow for an examination to be conducted periodically at the division's discretion. The change reduces the regulatory burden on licensees and the division staff and resources by allowing examinations to be scheduled based on complaints filed, the volume of transactions, and additional data reported to the division at the annual license renewal.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	HB 343
Fiscal Note Number:	1
(H) Publish Date:	2/9/2018

Identifier: DCCED-DBS-01-24-18
Title: PREMIUM FINANCE COMPANIES : EXAM REQS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: (H) Rules

Department: Department of Commerce, Community and
Economic Development
Appropriation: Banking and Securities
Allocation: Banking and Securities
OMB Component Number: 2808

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/18

Why this fiscal note differs from previous version/comments:

Not applicable, initial version

Prepared By: Barbara Reid, Acting Director
Division: Banking and Securities
Approved By: Catherine Reardon, Director
Agency: Division of Administrative Services, DCCED

Phone: (907)465-2570
Date: 01/24/2018 03:30 PM
Date: 01/25/18

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

The bill amends the AS 06.01.015(a) to exempt premium finance companies from the mandatory examination cycle of every 18 months that financial institutions are subject to and provides for periodic examination at the division's discretion. The change will reduce the regulatory burden on licensees and division staff and resources required to conduct two examinations within a three year period.

The Division of Banking and Securities does not anticipate fiscal impact from this legislation.