

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4194 SLAB SB 392 - SB 404

1078

1 amount not less than [ten] fifty thousand dollars in excess of liabili-
2 ties as shown by a commercial agency report as hereinafter provided, or
3 by a sworn statement on file with the attorney-in-fact, verified by such
4 subscriber or by an officer of a corporation subscriber.

5 § 21. Paragraph (a) of section 11.00 of the local finance law is
6 amended by adding a new subdivision eighty-three to read as follows:

7 83. Certain liability insurance. Payments, other than annual insurance
8 premiums, required of a subscriber of a reciprocal insurer formed under
9 article sixty-one of the insurance law, five years, except where such
10 payments amount to more than one per centum of the average assessed val-
11 uation of such subscriber, ten years.

12 § 22. Subdivision six of section sixteen hundred four of the education
13 law is amended to read as follows:

14 6. To insure the school buildings, furniture and school apparatus in
15 an insurance company created by or under the laws of this state, [or] in
16 an insurance company authorized by law to transact business in this
17 state, or in a joint insurance fund created by or under the laws of this
18 state, and to comply with the conditions of the policy, and raise by a
19 district tax the amount required to pay the premiums thereon.

20 § 23. Subdivision eight of section seventeen hundred nine of such law,
21 as amended by chapter six hundred ninety-five of the laws of nineteen
22 hundred sixty-nine, is amended to read as follows:

23 8. To insure the schoolhouses and their furniture, apparatus and ap-
24 purtenances, and the school library, in some insurance company created
25 by or under the laws of this state, [or] in some insurance company
26 authorized by law to transact business in this state, or in a joint in-
27 surance fund created by or under the laws of this state, and to comply
28 with the conditions of the policy, and raise the sums required for pre-

1 miums by district tax; provided, however, that the members of the board
2 shall not be personally liable for any claim arising out of the use or
3 condition of the aforementioned property if the board, after due dili-
4 gence, is unable to obtain such insurance.

5 § 24. Subdivision eight-c of section seventeen hundred nine of such
6 law, as amended by chapter three hundred eighteen of the laws of
7 nineteen hundred seventy-nine, is amended to read as follows:

8 8-c. To establish and maintain a program of reserves not to exceed
9 three per centum, exclusive of any planned balance presently authorized,
10 of the annual budget of the district to cover property loss and liabil-
11 ity claims. In the event that three per centum, exclusive of any
12 planned balance presently authorized, of the annual budget of the dis-
13 trict would result in less than fifteen thousand dollars, the total
14 reserve funds may be for an amount not to exceed fifteen thousand
15 dollars. Separate funds shall be established for property loss and for
16 liability claims and the separate identity of each fund shall be main-
17 tained whether its assets consist of cash or investments or both. The
18 moneys in such funds shall be held in separate bank accounts and may be
19 invested in obligations specified in section seventeen hundred twenty-
20 three-a of this chapter. Any interest earned or capital gain realized
21 on the moneys so deposited shall accrue and become part of such funds.
22 Such reserve funds shall not be reduced to amounts less than the total
23 of the amounts estimated to be necessary to cover incurred but unsettled
24 claims or suits including expenses in connection therewith other than by
25 payments for losses for which such amounts were established. Payments
26 from such reserve funds shall not be made for purposes other than those
27 for which such funds were established without authorizations by vote of
28 the electors of the district, except that such board may authorize use

1 of such funds other than amounts allocated for unsettled claims or suits
2 including expenses in connection therewith to pay premiums for insurance
3 policies purchased to insure subsequent losses in areas previously self-
4 insured, in the event of dissolution of the self-insurance plan. The
5 cash balance of such reserve fund at the end of any fiscal year shall
6 not exceed five per centum of the total budget for such fiscal year when
7 the district enters into an agreement to pool their reserve fund for the
8 purpose of organizing and/or participating in a reciprocal insurer as
9 defined in subsection (a) of section one hundred seven of the insurance
10 law or to organize and/or participate in a joint insurance fund as
11 defined in section one hundred nineteen-000 of the general municipal
12 law.

13 § 25. Subdivision thirteen of section two thousand twenty-one of such
14 law, such section as renumbered by chapter eight hundred one of the laws
15 of nineteen hundred fifty-three, is amended to read as follows:

16 13. To authorize the trustees to cause the schoolhouses, and their
17 furniture, appurtenances and school apparatus to be insured by any in-
18 surance company created by or under the laws of this state, or any other
19 insurance company authorized by law to transact business in this state,
20 or in a joint insurance fund created by or under the laws of this state.

21 § 26. Declaration of legislative findings and intent. The legislature
22 hereby finds that the state, its local governments and public employees,
23 by virtue of the nature of the services provided and the functions per-
24 formed by the state and local governments and because of the conse-
25 quences of unlimited liability on effective government process, should
26 be liable for their actions only to such extent and subject to such con-
27 ditions as are provided in this act. Actions against the state and its
28 local governments are burgeoning and judgments for personal injury and

1 property damage are being rendered in amounts which place great burdens
 2 on public budgets. Local governments across the state have experienced
 3 substantial increases in liability, the impact of which has been most
 4 severe for smaller municipalities.

5 While the legislature continues to recognize the right of persons who
 6 suffer injury as a result of acts of public entities and public em-
 7 ployees to recover for the harm suffered, it has now become necessary
 8 for this state, like a majority of the states, to place reasonable lim-
 9 its on such recovery. It is therefore reasonable and necessary to limit
 10 the liability of public entities and public employees to their equitable
 11 share of damages, unless the injured party has exhausted all of its
 12 remedies against the other parties, and to provide for the periodic
 13 payment by public entities and public employees of their excess liabil-
 14 ity which exceeds a specified monetary amount.

15 § 27. The civil practice law and rules is amended by adding a new ar-
 16 ticle sixteen to read as follows:

17 ARTICLE 16

18 LIMITED LIABILITY OF PUBLIC ENTITIES AND PUBLIC EMPLOYEES

19 Section 1600. Definitions:

20 1601. Application.

21 1602. Liability of public entities and public employees limited
 22 to equitable share of judgment.

23 1603. Contribution and indemnification.

24 § 1600. Definitions. As used in this article:

25 1. The term "public entity" means (a) the state of New York, (b) a
 26 county, city, town, or village, (c) a school district (except a school
 27 district in a city with a population of one hundred twenty-five thousand

1 or more), or board of cooperative educational services, (d) a fire dis-
2 trict, district corporation, special district, or special improvement
3 district governed by a separate board of commissioners.

4 2. The term "public employee" means any employee of a public entity,
5 as defined in subdivision one of this section, while acting within the
6 scope of his public employment or duties, but does not include an inde-
7 pendent contractor. Such term includes a former employee and an
8 employee's estate or judicially appointed personal representative.

9 § 1601. Application. The provisions of this article shall apply to all
10 claims against any public entity or public employee for personal injury,
11 property damage or wrongful death, except for claims against any public
12 entity or public employee for damages because of injury or death result-
13 ing from health care or treatment rendered or failed to be rendered to
14 any person.

15 § 1602. Liability of public entities and public employees limited to
16 equitable share of judgment. (a) Notwithstanding any other provisions of
17 law, when a judgment in an action for personal injury, property damage
18 or wrongful death is entered by the injured party against a public en-
19 tity or public employee, or both and another party, the payment, if any,
20 by the public entity or public employee to an injured party shall not
21 exceed the equitable share of the judgment recovered against such public
22 entity or public employee, as determined in accordance with the provi-
23 sions of section fourteen hundred two of this chapter, unless such in-
24 jured party has complied with the requirements set forth in subdivision
25 (b) of this section.

26 (b) The public entity or public employee shall be liable to pay the
27 excess over and above the equitable share of the judgment recovered
28 against such public entity or public employee only if the injured party

1 has filed with the court an affidavit upon notice to all parties which
2 demonstrates and describes in detail the diligent efforts it has taken
3 to exhaust those remedies available and which may reasonably be availa-
4 ble as determined herein to collect such excess from the other party or
5 parties. Upon review of all affidavits submitted pursuant to this sub-
6 division, the court shall determine whether any further efforts must be
7 made before the public entity or public employee shall be required to
8 pay the excess and shall have the power to order any further efforts
9 which it may deem reasonable and necessary. Any party against whom judg-
10 ment has been entered may submit an affidavit to the court in connection
11 with the foregoing procedures within ten days of receipt of the injured
12 party's affidavit. If an affidavit in opposition is filed, the court
13 shall render its determination under this subdivision within thirty days
14 of submission of all affidavits. If no affidavit in opposition is filed,
15 the injured party shall be deemed to have fulfilled his obligations un-
16 der this subdivision.

17 If the injured party, at the time of an impleader action, could have
18 sued a party who has been impleaded by a public entity for contribution
19 and indemnification and has failed to do so, the public entity shall not
20 be liable to pay the excess to the injured party attributable to such
21 impleaded party beyond the amount that the public entity has recovered
22 or will recover as determined by the court pursuant to this section from
23 such impleaded party in accordance with the requirements of this
24 subdivision.

25 (c) (1). In the event the excess described in subdivision (b) of this
26 section exceeds one hundred thousand dollars plus any amounts that will
27 be paid from such excess to a lien holder or subrogee on account of ex-
28 penses that are compensated in the judgment, the public entity and pu-

1. Public employee shall satisfy their liability for the amount over and
2 above one hundred thousand dollars by paying it in equal installments
3 over a period of five years and upon such dates as the court shall
4 determine.

5 (2) If, at any time after entry of judgment, a judgment creditor or
6 successor in interest can establish that the continued payment of the
7 judgment in periodic installments will impose a hardship, the court may,
8 in its discretion, order that the remaining payments or a portion
9 thereof shall be made to the judgment creditor in a lump sum. The court
10 shall, before entering such an order, find that: (i) unanticipated and
11 substantial other needs have arisen that warrant the payment of the
12 remaining payments, or a portion thereof, in a lump sum; (ii) ordering
13 such a lump sum payment would not impose an unreasonable financial bur-
14 den on the judgment debtor or debtors; (iii) ordering such a lump sum
15 payment will accomodate the future needs of the judgment creditor; and
16 (iv) ordering such a lump sum payment would further the interests of
17 justice.

18 (3) If a lump sum payment is ordered by the court, such lump sum shall
19 be calculated on the basis of the present value of remaining periodic
20 payments, or portions thereof, that are converted into a lump sum
21 payment. The remaining future periodic payments, if any, shall be
22 reduced accordingly.

23 (d) Nothing in this section shall be construed to affect or impair any
24 right of a public entity or public employee under section 15-103 of the
25 general obligations law:

26 § 1603. Contribution and indemnification. The limitation set forth in
27 this article shall apply to any claim for contribution or indemnifica-
28 tion, but shall not include:

1 (a) a claim for indemnification if, prior to the accident or occur-
2 rence on which the claim is based, the claimant and the public entity
3 had entered into a written contract in which the public entity had ex-
4 pressly agreed to indemnify the claimant for the type of loss suffered;
5 or

6 (b) a claim for indemnification by a public employee, including indem-
7 nification pursuant to section fifty-k of the general municipal law or
8 section seventeen or eighteen of the public officers law.

9 § 28. If any provision of section twenty-seven of this act shall be
10 held to be invalid or ineffective in whole or in part or inapplicable to
11 any person or situation, it is the purpose and intent of section twenty-
12 seven of this act that all other provisions shall be separate and fully
13 effective and the application of any such provision to other persons or
14 situations shall not be affected.

15 § 29. Section twenty-seven of this act shall not be construed to im-
16 pair, alter, limit, modify, abrogate or restrict any immunity or right
17 of indemnification available to or conferred upon any public entity or
18 public employee, or to confer a right of action upon any person against
19 a public entity or public employee; nor shall anything in section
20 twenty-seven of this act be construed to impose liability on a public
21 entity or public employee for any negligent or wrongful act or omission.

22 § 30. The provisions of section twenty-seven of this act shall not ap-
23 ply to claims under the workers' compensation law.

24 § 31. The provisions of section twenty-seven of this act shall not be
25 construed to affect the limitation set forth in section twenty-a of the
26 court of claims act.

27 § 32. This act shall take effect immediately, provided, however, that

- 1 . . (a) section thirteen of this act shall take effect on the first day of
- 2 April next succeeding the date on which it shall have become a law;
- 3 . (b) section sixteen of this act shall take effect January first,
- 4 nineteen hundred eighty-six;
- 5 . (c) sections fifteen and sixteen of this act shall apply to all poli-
- 6 cies issued or renewed on or after January first, nineteen hundred
- 7 eighty-six; and
- 8 . (d) sections twenty-six, twenty-seven, twenty-eight, twenty-nine,
- 9 thirty and thirty-one of this act shall take effect February first,
- 10 nineteen hundred eighty-six and shall apply to all actions or proceed-
- 11 ings instituted on or after its effective date.



RECORDS CERTIFICATION



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James O. Smith
Signature of Camera Operator

11/24/89
Date

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BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 11, 1986

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the electric cooperative and telephone cooperative taxes.

This bill will amend AS 10.25.540 to expressly authorize the Department of Revenue to use standard tax assessment and collection procedures in enforcing the electric cooperative and telephone cooperative taxes. At the present time, this section does not expressly provide for the levy of penalties or interest if the taxpayer fails to file a return or pay the tax on time. Without this change, there is little incentive for a taxpayer to comply with this tax statute. This bill will correct that problem, and I urge your support.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: 377-052-86 *56394*
 Title: Amend electric and telephone cooperative tax
 Sponsor: Governor
 Requestor: Senate Rules
 Date of Request: December 31, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 BRU: Audit Administration

Components:

Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|-------|-------|-------|-------|-------|-------|
| <u>OPERATING</u> | | | | | | |
| 100 PERSONAL SERVICES | -0- | -0- | -0- | -0- | -0- | -0- |
| 200 TRAVEL | -0- | -0- | -0- | -0- | -0- | -0- |
| 300 CONTRACTUAL | -0- | -0- | -0- | -0- | -0- | -0- |
| 400 SUPPLIES | -0- | -0- | -0- | -0- | -0- | -0- |
| 500 EQUIPMENT | -0- | -0- | -0- | -0- | -0- | -0- |
| 600 LANDS & STRUCTURES | -0- | -0- | -0- | -0- | -0- | -0- |
| 700 GRANTS, CLAIMS | -0- | -0- | -0- | -0- | -0- | -0- |
| 800 MISCELLANEOUS | -0- | -0- | -0- | -0- | -0- | -0- |
| <u>TOTAL OPERATING</u> | -0- | -0- | -0- | -0- | -0- | -0- |
| <u>CAPITAL</u> | -0- | -0- | -0- | -0- | -0- | -0- |
| <u>REVENUE</u> | -0- | -0- | -0- | -0- | -0- | -0- |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | -0- | -0- | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS | -0- | -0- | -0- | -0- | -0- | -0- |
| OTHER | -0- | -0- | -0- | -0- | -0- | -0- |
| <u>TOTAL</u> | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS:

| | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | -0- | -0- | -0- | -0- | -0- | -0- |
| PART-TIME | -0- | -0- | -0- | -0- | -0- | -0- |
| TEMPORARY | -0- | -0- | -0- | -0- | -0- | -0- |

ANALYSIS: This bill adopts the standard assessment and collection procedures for the electric and telephone cooperative tax, and will allow the Department of Revenue to include penalty and interest provisions of AS 43.05 in its administration of the tax law

Prepared By: Martin J. Richard
 Division: Audit Division

Phone: 465-2320
 Date: December 31, 1985

Approved by Commissioner: *John H. Sturdale*
 Agency: Revenue

Date: Dec 31, 1985

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)



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James O. Smith
Signature of Camera Operator

11/24/89
Date

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University of Alaska
Risk Management Collateral Fund

Collateral Fund:

Pool of money for payment of large uninsured claims.

Benefits:

Provides security to excess carriers.

Alternative to purchase of high cost primary coverage.

Alternative to campus assessments for large losses.

Provides annual investment income.

Characteristics:

Limited access to only large specified claims.

Reimbursement requests on a specific claim basis.

Investment earnings available for reimbursement of claims or expansion of the fund.

f SB 399

**University of Alaska
Risk Management Collateral Fund
HB-531/SB-399**

1986 Risk Management Problems:

- **Premiums have increased for primary layers of coverage.**
- **Selected primary and excess coverages are not available.**

Effect on University of Alaska

- **The University must respond to increased costs by:**
 - Increasing deductible levels
 - Decreasing limits of insurance coverage
 - Deleting of selected insurance coverages
 - Limiting funds available for loss prevention
 - Assessing campus instructional programs for losses
- **The University must thus assume greater loss liability, meaning:**
 - Specific exposures and coverages are uninsured
 - Budget instability due to large uninsured exposures
 - Wide fluctuation in annual loss levels
 - Decreased ability to forecast loss levels
 - Inability to settle claims promptly once funds are depleted

Risk Management Collateral Fund Characteristics:

- **Nonlapsing collateral fund held by Department of Revenue**
- **Pays for uninsured losses in excess of self-insured levels**
- **Used for liability and property losses**
- **Legislature may replenish fund as necessary**
- **Independent actuarial determination of loss assumption levels used each year by Department of Administration and University**
- **Annual reporting of activity to OMB and Legislative Budget & Audit**

Benefits of Fund:

- **Provides alternative to high-cost primary coverage**
- **Provides security to excess insurance carriers**
- **Provides budget stability**
 - Funds large uninsured claims
 - Funds excluded coverages above self-insurance levels
 - Limits annual loss levels in operating budget
- **Provides funding for prompt settlement of claims**
- **Provides alternative to campus assessment or deficits**
- **Investment earnings accrue to state instead of insurance companies**

University of Alaska
Schedule of Unplaced Insurance Coverage
 (Excluding Workers' Compensation Coverage)

| | <u>July 1</u> <u>1985</u> | <u>Aug 1</u> <u>1985</u> | <u>Nov 1</u> <u>1985</u> |
|------------------------------------|------------------------------|-----------------------------|-----------------------------|
| | (% Not Placed) | | |
| Property: | | | |
| Primary \$10 Mil | 18% | 18% | 13% |
| \$30 Mil excess of \$10 Mil | 67% | 58% | - |
| \$30 Mil excess of \$40 Mil | 74% | 27% | - |
| Casualty: | | | |
| Primary \$5 Mil (Placed 8/1/85) | 100% | - | - |
| \$5 Mil excess of \$5 Mil | 75% | 20% | 20% |
| \$40 Mil excess of \$10 Mil | - | - | - |
| \$50 Mil excess of \$50 Mil | 10% | - | - |
| Aggregate (Stop Loss): | | | |
| \$2 Mil | 50% | 50% | 50% |
| Board Errors and Omissions: | | | |
| \$1 Mil | 100% | 100% | 100% |
| Medical Malpractice: | | | |
| \$1 Mil | 100% | 100% | 100% |
| Environmental Impairment: | | | |
| \$1 Mil | 100% | 100% | 100% |

University of Alaska
**FY87 Risk Management
 Cost Projections**
 (Excluding Workers' Compensation Coverage)





| | <u>Low</u> | <u>High</u> | <u>Forecast</u> |
|---------------------------|------------------------|------------------------|------------------------|
| Sources of funds: | | | |
| State General Fund | <u>\$910.4</u> | <u>\$910.4</u> | <u>\$910.4</u> |
| Expenditures: | | | |
| Premiums | 1,358.6 | 1,594.9 | 1,476.8 |
| Claims | 789.7 | 1,230.0 | 1,034.8 |
| Loss prevention | 48.7 | 48.7 | 48.7 |
| Other | <u>48.3</u> | <u>86.8</u> | <u>50.1</u> |
| Total | <u>2,245.4</u> | <u>2,960.4</u> | <u>2,610.4</u> |
| Deficiency | <u>(\$1,335.0)</u> | <u>(\$2,050.0)</u> | <u>(\$1,700.0)</u> |
| Premium increase rate | <u>15%</u> | <u>35%</u> | <u>25%</u> |
| Loss confidence level | <u>80%</u> | <u>25%</u> | <u>50%</u> |

University of Alaska
FY87 Risk Management Loss Projections
(Excluding Workers' Compensation Coverage)

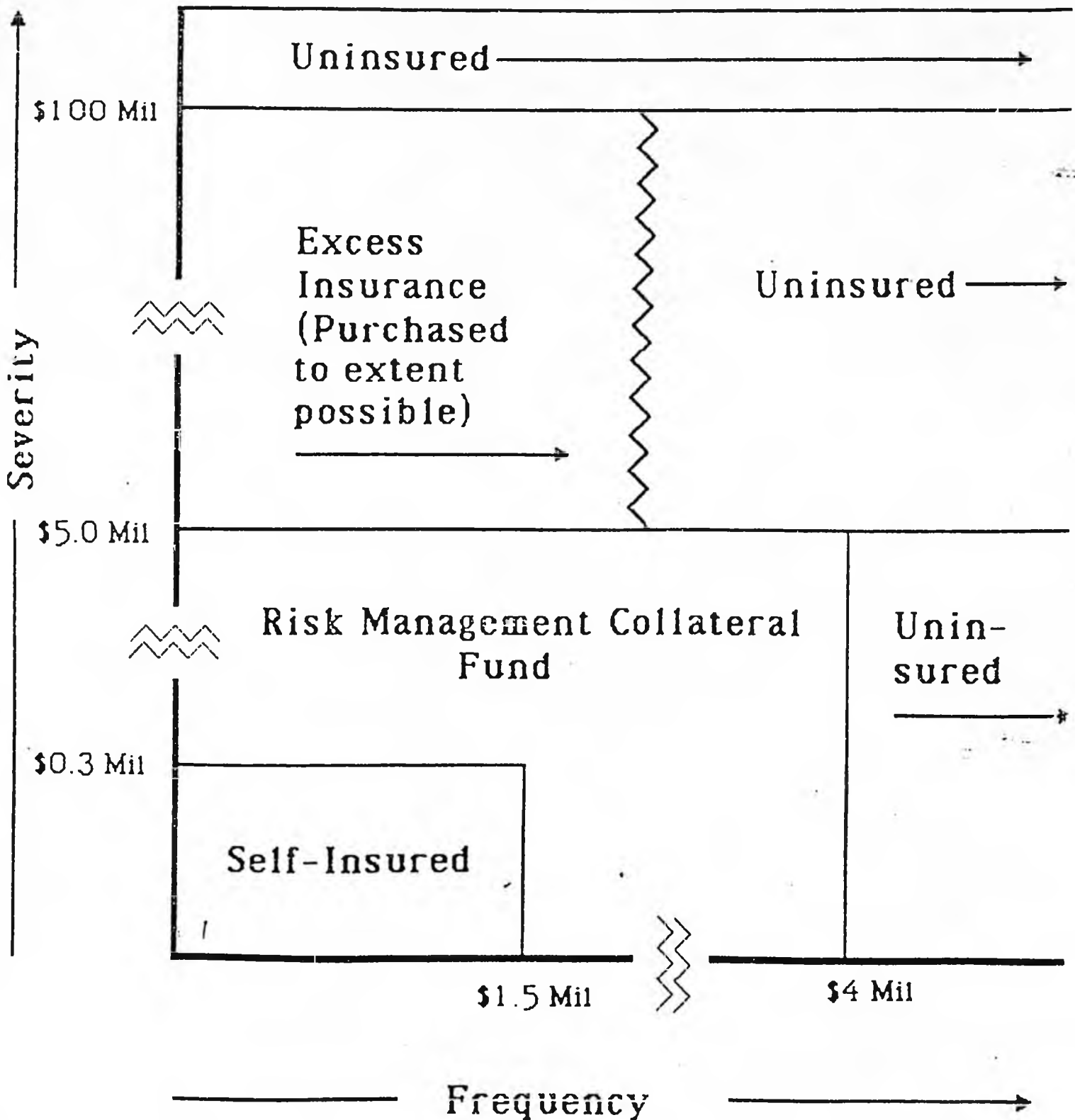
| Confidence Level | Loss Projection |
|-----------------------------|----------------------------|
| 80% | \$789.7 |
| 70% | \$889.6 |
| 50% | \$1,034.8 |
| 25% | \$1,230.0 |
| 10% | \$1,425.1 |

Confidence level - assurance that actual losses will meet or exceed loss projection

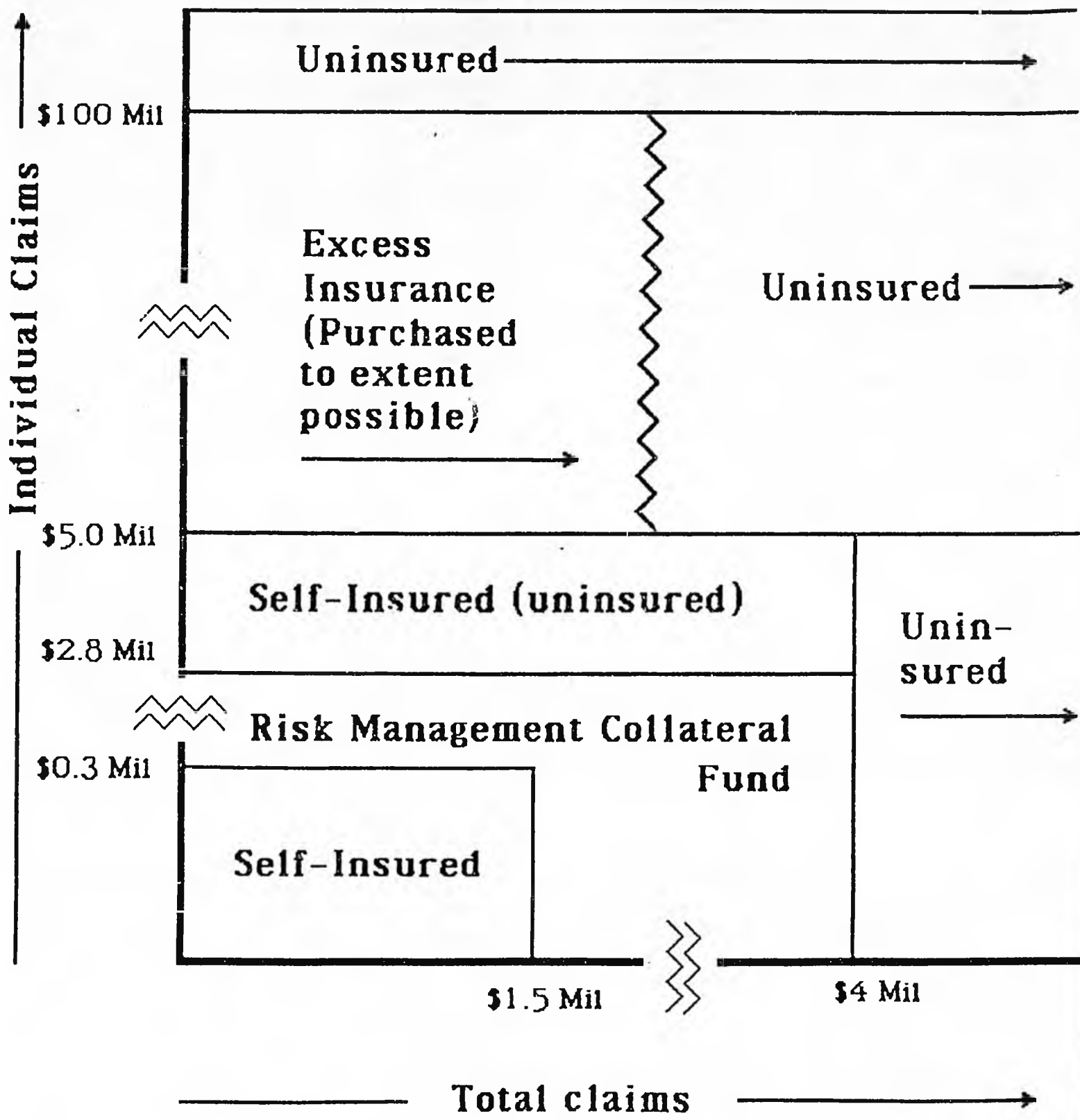
University of Alaska
**General Liability Premium Cost
 Per Layer of Coverage**

| \$100 Mil | Total | \$397.6 |
|--|--|----------------|
|  | \$50 Mil excess of \$50 Mil \$100 Per Million | \$5.0 |
| \$50 Mil  | \$40 Mil excess of \$10 Mil \$750 Per Million | \$30.0 |
| \$10 Mil  | \$5 Mil excess of \$5 Mil \$9,000 Per Million | \$45.0 |
| \$5 Mil  | Primary \$5 Mil \$63,250 Per Million | \$317.6 |
| Coverage | | Premium |

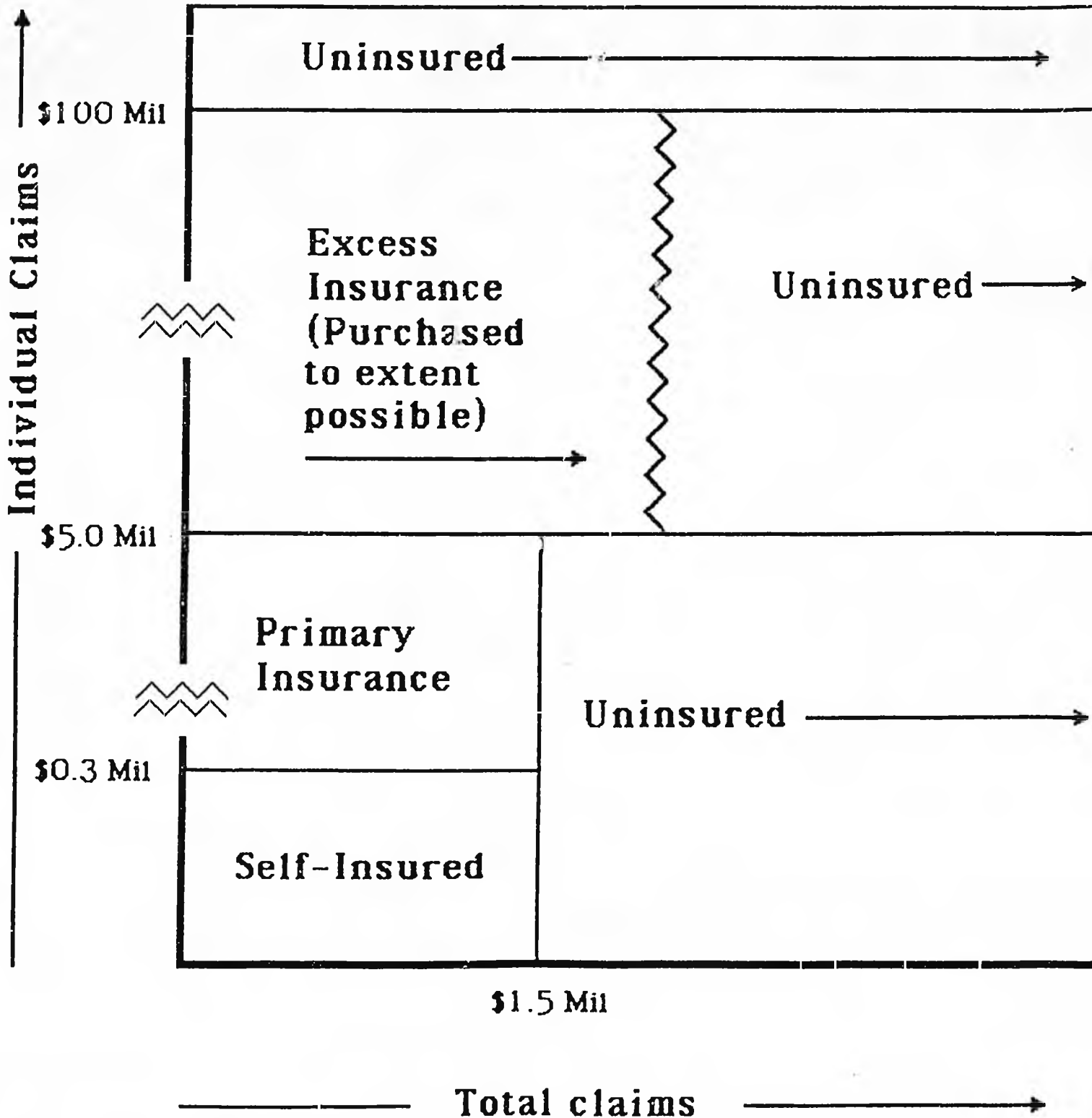
University of Alaska FY87 Risk Funding Plan



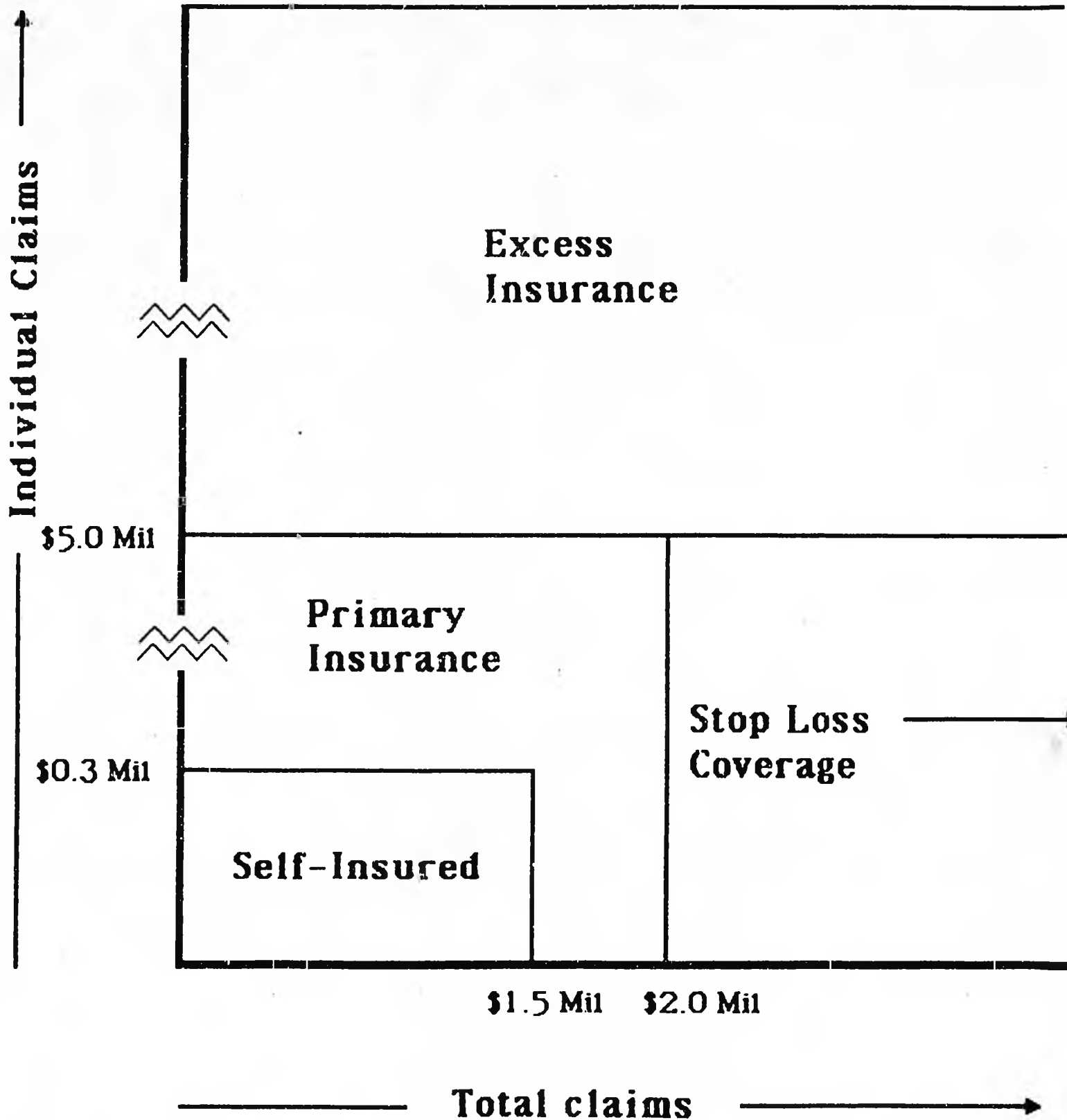
University of Alaska
FY87 Risk Funding Plan
 Under HB-531/SB-399



University of Alaska
FY87 Risk Funding Plan
Without HB-531 /SB-399



University of Alaska
FY85 Risk Funding Plan
(Prior to 1985 Crisis)



AS37.07.080 DOCUMENT
 CHAPTER = 37.07
 SECTION = 37.07.080
 TITLE = 37
 HEADINGS TITLE 37.
 Public Finance.
 CHAPTER 07.
 Executive Budget Act.
 CITATION Sec. 37.07.080.
 CATCH LINE PROGRAM EXECUTION.

TEXT (a) Except as limited by policy decisions of the governor, appropriations by the legislature, and other provisions of law, the several state agencies have full authority for administering their program service assignments and are responsible for their proper management.

(b) Each state agency shall prepare an annual plan for the operation of each of its assigned programs except for programs that are exempted from this requirement by the office. The operations plan shall be prepared in the form and content and be transmitted on the date prescribed by the office.

(c) The office shall

(1) review each operations plan to determine that it is consistent with the policy decisions of the governor and appropriations by the legislature, that it reflects proper planning and efficient management methods, that appropriations have been made for the planned purpose and will not be exhausted before the end of the fiscal year;

(2) approve the operations plan if satisfied that it meets the requirements under (1) of this subsection; otherwise, the office shall require revision of the operations plan in whole or in part.

(d) No state agency may increase the salaries of its employees, employ additional employees, or expend money or incur obligations except in accordance with law and properly approved operations plan.

(e) Transfers or changes between objects of expenditures or between allocations may be made by the head of a state agency upon approval of the office. No transfers may be made between appropriations except as provided in an act making the transfers between appropriations.

(f) The office shall report quarterly to the governor and the legislature on the operations of each state agency, relating

actual accomplishments to those planned and modifying, if necessary, the operations plan of any agency for the balance of the fiscal year.

(g) The governor may direct the withholding or reduction of appropriations to a state agency at any time during the fiscal year only if the governor determines that

(1) the planned expenditures can no longer be made due to factors outside the control of the state which make the expenditure factually impossible; or

(2) estimated receipts and surpluses will be insufficient to provide for appropriations.

(h) The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:

(1) the governor shall submit a revised program to the Legislative Budget and Audit Committee for review;

(2) 45 days shall elapse before commencement of expenditures under the revised program unless the Legislative Budget and Audit Committee earlier recommends that the state take part in the federally or otherwise funded activity;

(3) should the Legislative Budget and Audit Committee recommend within the 45-day period that the state not initiate the additional activity, the governor shall again review the revised program and if the governor determines to authorize the expenditure, the governor shall provide the Legislative Budget and Audit Committee with a statement of the governor's reasons before commencement of expenditures under the revised program.

HISTORY

(Sec. 1 ch 188 SLA 1970; am secs. 1-3 ch 26 SLA 1976; am secs. 2, 3 ch 74 SLA 1977; am secs. 4, 5 ch 60 SLA 1979; am secs. 9-12 ch 63 SLA 1983)



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SB 399: SUMMARY

SB 399 would allow the legislature to appropriate funds to establish a non-lapsing risk management collateral fund for the University of Alaska to cover uninsured losses. After the fund is established the legislature would be able to appropriate earnings from temporary investments from the fund, restore funds spent on claims and reappropriate recoveries from losses to the fund. The Department of Administration and University of Alaska would set loss assumption levels. The Department of Administration would be required to submit a yearly report on activities and expenditures to the Office of Management and Budget and to the Legislative Budget and Audit Committee.

L- SB 399

February 24, 1986

HOUSE JOURNAL
SUPPLEMENT

No. 90

REQUEST Page 1 of 2

HB 531

Revision Date: _____

Bill/Resolution No.: HB 531
 Title: Establishing Risk Management Collateral Fund for University of Alaska, ed.
 Sponsor: Duncan
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: University of Alaska
 BRU: Statewide Programs and Services

Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

| OPERATING | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | | | | | |

| | | | | | | |
|---------|--|---------|--|--|--|--|
| CAPITAL | | 2,500.0 | | | | |
|---------|--|---------|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING : (Thousands of Dollars)

| | | | | | | |
|---------------|--|---------|--|--|--|--|
| GENERAL FUND | | 2,500.0 | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | | | | | |

POSITIONS :

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : Attach a separate page if necessary

See attached

Prepared by: Brian Rogers Phone: 907-474-7593
 Division: University of Alaska Date: 2/19/86

Approved by Commissioner: Brian Rogers for Sherman Center Date: 2/19/86
 Agency: University of Alaska



RB 531

For Bill/Resolution No. HB 531 Page 1 of 2

This bill establishes a Risk Management Collateral Fund in the general fund. The fund is to be used to pay for uninsured losses at the University of Alaska in excess of pre-established loss assumption levels. The loss assumption levels are to be determined annually by the Department of Administration and the University of Alaska based on independent actuarial assumptions.

Creation of a risk management collateral fund was recommended to the University by Corroon and Black Corporation, the State's risk management consultants. Their proposal considered the primary layer of general liability insurance, the \$4.7 million in coverage between \$300,000 and \$5 million. This coverage currently costs the University \$317,500 annually. Corroon and Black recommended an initial appropriation to the fund "in the range of \$2.5 - \$5.0 million." The University is requesting establishment of the fund at the lower end of this range. Also covered by the fund would be losses in other lines of insurance, or in areas not covered by insurance companies.

Coopers and Lybrand, certified public accountants, gave preliminary estimates to the University based on insurance industry statistics and estimates. The actuarial assumptions used for this fiscal note should be revised prior to the beginning of the fiscal year, but will have little effect on the size of the fund. Assuming that the risk management collateral fund provides coverage for claims of up to \$5 million, the estimated retained loss for fiscal year 1987 in general liability would be \$2,119.3. For auto liability, the estimated retained loss would be \$76.4. Retained losses for property insurance were not calculated by Coopers and Lybrand.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 399
 Title: An Act Establishing the Risk Management Collateral Fund for the University of Alaska
 Sponsor: Senator Fahrenkamp
 Requestor: Senator Zharoff
 Date of Request: March 26, 1986

FISCAL DETAIL

Agency Affected: Department of Administration
 BRU: Division of Risk Management
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING | | | | | | 1 |
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|---|---|---|---|---|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: Attach a separate page if necessary

Prepared By: Brad Thompson, Deputy Director *BT*
 Division: Risk Management

Phone: 465-2180
 Date: 03/28/86

Approved by Commissioner: Eleanor Andrews *Eleanor Andrews*
 Agency: Department of Administration

Date: 4/1/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Position Paper
SB 399

SB 399 establishes a risk management collateral fund for the University of Alaska. This fund will be utilized to pay uninsured property and casualty claims excess of established loss assumption levels.

The fund creates a viable method for the university to increase self insurance obligations, avoid prohibitive premium costs for primary layer excess insurance and maintain uninterrupted program operations.

The bill as proposed requires the Department of Administration to submit an annual report on the activity of the fund. This requirement adds an insignificant administrative task, with no fiscal impact, on the department.

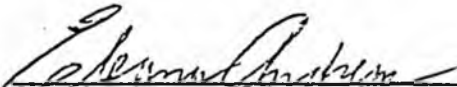
The Department of Administration supports the proposed legislation.



for Donald J. Hitchcock, Director
Division of Risk Management

Date

3-28-86



Commissioner Eleanor Andrews
Department of Administration

Date

4/2/86

CHAIRMAN'S INFORMATION: SB 399

- 1) BILL TITLE: "An act establishing the risk management collateral fund for the university of Alaska; and providing for an effective date."
 - a) Introduced: Sen Fahrenkamp
 - b) Co-sponsors:
- 2) INTENT: This measure authorizes the Legislature to appropriate funds to establish a non lapsing risk management collateral fund for the U of A to cover uninsured losses.

FISCAL NOTE: \$2,500,000 appropriation; U of A is only looking for enabling legislation at this time, and would defer on the appropriation until the state has the bucks.

- 3) ADDITIONAL REFERRALS: Finance and Rules
- 4) PUBLIC HEARINGS:
 - a) Sponsor:
 - b) Public Witnesses:
- 5) BILL ACTION:
 - a) Hold in committee?
 - b) Assign to sub committee for further review?
 - c) Move from committee?
 - d) Close public hearings?
- 6) COMMITTEE ACTION?
 - a) amendments?
 - b) CS adoption?



RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

11/24/89
Date

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Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

CSSB 404 Sectional Analysis

Section 1) Makes an exception in the fictitious group statutes for municipalities, school districts, and REAAs so that groups of them covered by a group workers compensation policy need not have a constitution or bylaws.

Section 2) Exempts joint arrangements formed under section 12 of the draft from the prohibition against "fictitious groups" that are formed for the purpose of insurance.

Section 3) Changes terminology to reflect other changes in the bill.

Section 4) Shifts the exceptions currently found in the AS 21.36.300 (repealed in the bill) to AS 21.36.210(d).

Section 5) Shifts the substance of AS 21.36.210 (e) (repealed in the bill) to AS 21.36.210(f) by inserting the term "personal insurance"; "personal insurance" is defined in section 11 of the bill to cover the types of insurance formerly described in AS 21.36.210(e).

Section 6) Provides for a 20 day notice period for cancellation of personal insurance except in cases of non payment of premium, for which there is a 10 day notice period.

Section 7) Provides for a 60 day notice period for the cancellation of business or commercial insurance except in cases of nonpayment of premium, for which there is a 10 day notice period.

Section 8) Requires the return of unearned premium within 30 days after notice if business or commercial insurance is cancelled.

Section 9) Provides for a 20 day notice of non renewal of personal insurance and a 60 day notice of nonrenewal of business and commercial insurance.

Section 10) Makes technical changes to conform to other amendments.

Section 11) Definitions

Section 12) 21.76.010 Authorizes joint insurance arrangements by municipalities, school districts, and REAAs. Allows group self insurance only for property insurance. Allows purchase of coverage on a group basis for the types of insurance not described in (c) (1) and (2).

21.76.020 Exempts joint insurance arrangements from regulation by the Director of the Division of Insurance.

21.76.030 Prescribes the types of provisions that must be contained in agreements that set up joint insurance arrangements.

21.76.040 Prescribes the financial provisions that must be contained in agreements that set up joint insurance arrangements, including a requirement for an annual audit.

21.76.050 Allows the board of directors of a joint insurance arrangement to contract with someone to run the arrangement

21.76.060 Allows the directors to delegate the power to settle claims on behalf of a joint insurance arrangement.

21.76.070 Allows a joint insurance arrangement to obtain excess insurance.

21.76.080 Requires a joint insurance arrangement to establish a fund to receive contributions from members and to pay out claims or other expenses, depending on the type of arrangement.

21.76.090 Requires the filing of the agreement establishing a joint insurance arrangement.

21.76.100 Provides that the agreement may allow the board of directors to adopt regulations for the operation of the arrangement.

21.76.110 Gives subrogation rights to a joint insurance arrangement.

21.76.900 Definitions.

Section 13) Exempts joint insurance arrangements from a general requirement that insurers for workers compensation must join in the assigned risk pool.

Section 14 and 15) Exempts joint insurance arrangements from laws that currently already exempt reciprocals composed of municipalities.

Section 16) repeals sections dealing with the cancellation of insurance policies in order to correspond to other sections in the bill to which substance of these sections was transferred.

Section 17) Effective date.

SB 404: "An Act relating to insurance, authorizing joint insurance arrangements, repealing a prohibition against certain types of group insurance, and providing for an effective date."

This legislation allows municipalities, school districts and Regional Educational Attendance Areas to establish joint insurance arrangements for group assumption of losses or group purchase of insurance coverage.

This bill effectively allows self insurance by groups of municipalities, school districts and Regional Educational Attendance Areas. This is probably a reasonable action provided the parties to the grouping are fully aware of the implications of that action, and the Division of Insurance has no regulatory responsibility for those groups.

Markets are currently available for workers compensation, and group purchase is possible through a safety group. We view inclusion of workers' compensation in this bill as a reduction of the protections built into the system for the benefit of the injured worker. Insurer financial regulation, 100% backup by the Alaska Insurance Guaranty Act, rate regulation, and more accrue to assure that the insurer meets its obligations in a timely fashion. We believe that that action is unnecessary for workers' compensation insurance.

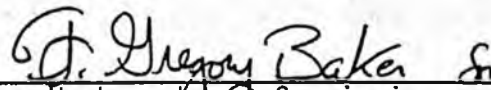
This bill repeals the fictitious group statute. That statute is intended to avoid unfairly discriminatory rates. We have no problem with removing the entities impacted by the joint insurance arrangement from that law, except for workers compensation, but the law should not be repealed.

We recommend that Section 5 on page 7, which repeals AS 21.36.190, be amended to read:

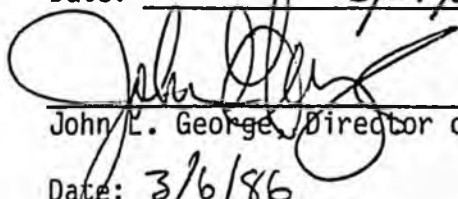
Add a new subsection to AS 21.36.190 to read:

(e) Except as provided in (d)(2)-(4) of this section, this section does not apply to coverage purchased through a joint insurance arrangement formed under AS 21.76.

Also on page 1, line 23, after "disability," insert the words "workers' compensation."


Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/07/86


John L. George, Director of Insurance

Date: 3/6/86



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

Letter of Intent for CSSB 404 (L&C)

It is the intent of the Senate Labor and Commerce Committee that the Division of Insurance urge both domestic and foreign insurance companies, conducting business in the state, to write insurance policy contracts in comprehensible, "layman's" language.

CHAIRMAN'S INFORMATION: CSSB 404 (L&C)

- 1) BILL TITLE: "An act relating to insurance; authorizing joint insurance arrangements; repealing a prohibition against certain types of group insurance; and providing for an effective date." N.B. L&C CS has a title change which will need to be moved when we adopt CS for discussion purposes.

The new Title reads: "An act relating to cancellation and nonrenewal of insurance; authorizing joint insurance arrangements; and providing for an effective date."

We also have a letter of intent on "easy read contracts" which must be adopted.

- a) Introduced: By Sen Josephson

b) Co-sponsors:

- 2) INTENT: This measure, (CS), has been expanded to include more strict requirements on cancellation notices for insurance policies, as well as time certain dates for the return of unearned premium on business and commercial insurance.

The bill also authorizes "joint insurance arrangements" (group insurance pools) for municipalities, school districts, and REAA's for property insurance.

FISCAL NOTE: Not received

- 3) ADDITIONAL REFERRALS: Finance, Rules

- 4) PUBLIC HEARINGS:

a) Sponsor:

b) Public Witnesses:

5) BILL ACTION:

- a) Hold in committee?
- b) Assign to sub committee for further review?
- c) Move from committee?
- d) Close public hearings?

6) COMMITTEE ACTION?

- a) amendments?
- b) CS adoption? Need to adopt the Senate L&C CS and the title change;



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

Letter of Intent for CSSB 404 (L&C)

It is the intent of the Senate Labor and Commerce Committee that the Division of Insurance urge both domestic and foreign insurance companies, conducting business in the state, to write insurance policy contracts in comprehensible, "layman's" language.

CS FOR SENATE BILL NO. 404 (L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to cancellation and nonrenewal of insurance; authorizing joint insurance arrangements; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 21.36.190(d) is amended to read:

(d) This section does not apply to workers' compensation insurance when issued to an association of employers formed for purposes other than the purchase of insurance and that

(1) has a constitution and bylaws; the requirement of this paragraph does not apply to municipalities, school districts, and regional educational attendance areas;

(2) incorporates a safety program;

(3) as a group has preferred characteristics over similar risks written on an individual basis; and

(4) has filed and received approval from the director for the rating program to be applied to the group.

* Sec. 2. AS 21.36.190 is amended by adding a new subsection to read:

(e) The provisions of (a) and (b) of this section do not apply to coverage purchased through a joint insurance arrangement formed under AS 21.76.

* Sec. 3. AS 21.36.210(a) is amended to read:

(a) An insurer may not exercise its right to cancel a policy of personal [AN] automobile insurance [POLICY] except for the following reasons:

(1) nonpayment of premium; or
(2) the driver's license or motor vehicle registration of either the named insured or of an operator who resides in the same household as the named insured or who customarily operates a motor vehicle insured under the policy has been under suspension or revocation during the policy period or, if the policy is a renewal, during its policy period or the 180 days immediately preceding its effective date.

* Sec. 4. AS 21.36.210(d) is amended to read:

(d) This section does not apply to

(1) the failure to renew a policy, except as to coverage in force for less than 12 months;

(2) a policy that has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer, unless it is a renewal policy;

(3) a policy issued under an automobile assigned risk plan or automobile insurance plan;

(4) a policy insuring more than four motor vehicles;

(5) a policy covering the operation of a garage; automobile sales agency, repair shop, or service station; or public parking place;

(6) a policy providing insurance only on an excess basis;

(7) any other contract providing insurance to the named insured, even though the contract may incidentally provide insurance with respect to motor vehicles.

* Sec. 5. AS 21.36.210(f) is amended to read:

(f) An [NOTWITHSTANDING (e) OF THIS SECTION, AN] insurer may not exercise its right to cancel a policy of personal insurance other than personal automobile insurance, except for the following reasons [THE

TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING CONDITIONS OR CIRCUMSTANCES ARISES]:

(1) nonpayment of premiums, including nonpayment of additional premiums, calculated in accordance with the current rating manual of the insurer, justified by a physical change in the insured property or a change in its occupancy or use;

(2) conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;

(3) discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy;

(4) discovery of a grossly negligent act or omission by the insured that substantially increases the hazards insured against; or

(5) physical changes in the insured property that result in the property becoming uninsurable.

* Sec. 6. AS 21.36.220 is amended to read:

Sec. 21.36.220. NOTICE OF CANCELLATION. An insurer may not exercise its right to cancel a personal insurance policy unless a written notice of cancellation is mailed or delivered to the named insured, at the address shown in the policy, at least 20 days before the effective date of cancellation. However, if [, EXCEPT THAT WHEN] cancellation is for nonpayment of premium, the notice shall be mailed or delivered to the named insured at the address shown in the policy at least 10 days before the effective date of cancellation, and must [SHALL] include or be accompanied by a statement of the reason for the cancellation. [THIS SECTION DOES NOT APPLY TO THE FAILURE TO RENEW A POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS THAN 12 MONTHS.]

* Sec. 7. AS 21.36.220 is amended by adding a new subsection to read:

(b) An insurer may not exercise its right to cancel a policy of

business or commercial insurance unless a written notice of cancellation is mailed or delivered to the named insured, at the address shown in the policy, and to the agent or broker of record, at least 60 days before the effective date of cancellation. However, if cancellation is for nonpayment of premium, the notice shall be mailed or delivered to the named insured at the address shown in the policy and to the agent or broker of record at least 10 days before the effective date of cancellation, and must include or be accompanied by a statement of the reason for the cancellation.

* Sec. 8. AS 21.36 is amended by adding a new section to read:

Sec. 21.36.235. RETURN OF PREMIUM UPON CANCELLATION. If an insurer cancels a policy under AS 21.36.220(b), it shall return any unearned premium to the agent or broker of record or directly to the insured or premium finance company, if applicable, by the effective date of cancellation, except that if cancellation is for nonpayment of premium, any unearned premium shall be returned within 30 days after the notice of cancellation is given. If the unearned premium is returned by the insurer to a person other than the insured, that person shall promptly return the unearned premium to the insured unless otherwise provided by agreement between the person and the insured.

* Sec. 9. AS 21.36.240 is amended to read:

Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to renew a personal insurance policy in force for less than 12 months. An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR MORE] unless a written notice of nonrenewal is mailed or delivered to the named insured, at the address shown in the policy, at least 20 days for a personal insurance policy, and at least 60 days for a business or commercial insurance policy, before the expiration date of

1 the policy [,] or of the anniversary date of a policy written for
2 term longer than one year or with no fixed expiration date. This
3 section does not apply

4 (1) if the insurer has in good faith manifested in any way
5 its willingness to renew;

6 (2) in case of nonpayment of premium for the expiring
7 policy; or

8 (3) if the insured fails to pay the premium as required by
9 the insurer for renewal.

10 * Sec. 10. AS 21.36.250 is amended to read:

11 Sec. 21.36.250. NOTICE OF ELIGIBILITY. When a policy of automo-
12 bile liability insurance is cancelled, other than for nonpayment of
13 premium, or is not renewed in accordance with [FOR FAILURE TO RENEW A
14 POLICY OF AUTOMOBILE LIABILITY INSURANCE TO WHICH] AS 21.36.240 [AP-
15 PLIES], the insurer shall notify the named insured of possible eligi-
16 bility for automobile insurance through the automobile assigned risk
17 plan, or automobile insurance plan. The notification must [SHALL]
18 accompany or be included in the notice of cancellation or nonrenewal
19 required by AS 21.36.220 [AS 21.36.230] and 21.36.240.

20 * Sec. 11. AS 21.36.310 is amended to read:

21 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 - 21.36.310

22 (1) "business or commercial insurance" means insurance
23 other than personal insurance, life insurance, disability insurance,
24 title insurance, or an annuity contract;

25 (2) "nonpayment of premium" means failure of the named
26 insured to discharge when due any obligations of the named insured in
27 connection with the payment of premium on a policy, or any installment
28 of the premium, whether the premium is payable directly to the insurer
29 or its agent or indirectly under any premium finance plan or extension

of credit;

(3) "personal automobile insurance" means insurance not related to business or commercial activities, covering [(2) "POLICY" MEANS AN INSURANCE POLICY COVERING THE RISKS AND EXPOSURES LISTED IN AS 21.36.210(e) OR AN AUTOMOBILE POLICY THAT INCLUDES] automobile liability [COVERAGE], uninsured or underinsured motorists [MOTORIST COVERAGE], automobile medical payments [COVERAGE], or automobile physical damage [COVERAGE], that is delivered or issued for delivery in this state, [INSURING AS THE NAMED INSURED, ONE INDIVIDUAL OR HUSBAND AND WIFE RESIDENT OF THE SAME HOUSEHOLD,] and under which the insured vehicles are of the following types only:

(A) a motor vehicle of the private passenger or station wagon type that is not used as a public or livery conveyance, nor rented to others, or

(B) any other four-wheel motor vehicle with a load capacity of 1,500 pounds or less that is not used in the occupation, profession, or business of the insured, nor used as a public or livery conveyance, nor rented to others;

(4) "personal insurance" does not include an annuity contract or a policy of life insurance, disability insurance, or title insurance; the term means personal automobile insurance, or insurance covering

(A) loss of or damage to real property that is used predominantly for residential purposes and that does not consist of more than four dwelling units;

(B) loss of or damage to personal property, including personal effects, household furniture, fixtures and equipment located in not more than four dwelling units; or

(C) legal liability of natural persons for loss of,

damage to, or injury to, persons or property if the insurance does not cover liability arising from or in connection with business or commercial activities;

(5) [(3)] "renewal" or "renew" means

(A) the issuance and delivery by an insurer of policy replacing at the end of the policy period a policy previously issued and delivered by the same insurer,

(B) the issuance and delivery of a certificate of notice extending the term of a policy beyond its policy period or term, or

(C) the extension of the term of a policy beyond its policy period or term under a provision for extending the policy by payment of a continuation premium.

* Sec. 12. AS 21 is amended by adding a new chapter to read:

CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGEMENTS. (a) Municipalities, school districts, and regional educational attendance areas may enter into cooperative agreements with each other for the purpose of establishing, operating, or participating in joint insurance arrangements through which the participating members agree to pool contributions and

(1) assume risks from losses on a group basis; or

(2) purchase coverage on a group basis.

(b) A joint insurance arrangement under (a)(1) of this section may be only for property insurance.

(c) A joint insurance arrangement under (a)(2) of this section may be for any kind of insurance defined by this title except for

(1) life, annuity, disability, and title insurance; and

(2) surety.

(d) A joint insurance arrangement shall be considered an alternative or supplement to any other policy or contract of insurance authorized or required by law, including insurance under AS 21.75.

Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint insurance arrangement may not be considered insurance for the purpose of any other law of the state and is not subject to regulations of the director except as expressly provided in this chapter.

Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A cooperative agreement shall provide for the proper operation of the joint insurance arrangement, and include provisions for

(1) administration of the arrangement by a board of directors, specifying the number of members of the board and other requirements necessary for the proper functioning of the board;

(2) appointment of an administrator and other persons as necessary for the proper functioning of the arrangement;

(3) organization of the arrangement, including a roster of participating members and the names of the members of the board of directors;

(4) procedures to establish and promote an aggressive risk management and program among the members of the arrangement, including procedures for identifying and reducing the risks that can be reduced through implementing better safety technologies and improved work techniques and procedures;

(5) enforcing the collection of contributions or payments in default from members of the arrangement;

(6) the addition of new members to the arrangement or the withdrawal of members from the arrangement;

(7) the method of apportioning costs and disposition of excess contributions;

(8) transmission of financial statements and audit report of the arrangement to participating members;

(9) terminating the arrangement and disposing of its assets; and

(10) establishing and administering a joint insurance fund.

Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) cooperative agreement must include a provision requiring an annual determination by a casualty actuary who is a member of the American Academy of Actuaries that procedures for establishing reserves for losses of the joint insurance arrangement are actuarially sound.

(b) A joint insurance arrangement shall be subject to an annual independent audit. The audit shall be conducted in accordance with generally accepted auditing standards and must include a review of the actuarial assumptions used for establishing the reserves under (a) of this section. The audit report must include certification from a casualty actuary who is a member of the American Academy of Actuaries that the actuarial assumptions continue to be sound and the level of the reserves are adequate.

(c) A joint insurance arrangement shall use a method of accounting that conforms with generally accepted government accounting principles.

Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A cooperative agreement may authorize the board of directors to enter into contracts for services necessary to perform the functions of a joint insurance arrangement. The person contracting to perform the functions must be appropriately licensed under this title if this title so requires.

Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooperative agreement may delegate to the board of directors, or authorize

delegation by the board to another person or group, the power to compromise, arbitrate, or otherwise settle claims on behalf of the arrangement.

Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may authorize the board of directors to purchase excess or catastrophic insurance on behalf of the joint insurance arrangement. The cost of the insurance shall be apportioned in the manner specified in the joint insurance agreement. The board may purchase insurance under this section only from an insurer authorized to do business in the state or from an unauthorized insurer if the insurance is placed through a licensed surplus lines broker.

Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance arrangement shall establish a joint insurance fund. The fund consists of money

(1) contributed by members of the joint insurance arrangement through budgetary appropriations or transfers from a self-insurance reserve; and

(2) collected by the joint insurance arrangement through subrogation of a claim paid from the fund to a member of the arrangement.

(b) An expenditure may be made from a joint insurance fund only to pay claims, losses, or benefits, including interest on them, and the administrative and adjustment expenses incurred in connection with them, involving the types of protection for which the fund provides coverage as specified in the joint insurance agreement.

(c) The administrator shall keep the fund separate from other funds of a member of a joint insurance arrangement.

(d) For each type of protection offered by the joint insurance arrangement, the method of accounting must show the order, source,

date, and amount of each payment from the fund.

(e) Within 60 days of the end of the fiscal year, the administrator shall furnish a detailed report of the operation and condition of the fund to the board of directors and the director of insurance. The report furnished to the director of insurance shall be available for public inspection.

(f) Money held by a fund as reserves and money not needed for daily operations may be invested by the board of directors.

(g) A fund may not be terminated unless the administrator certifies that an amount of money sufficient to pay accrued and contingent expenditures has been placed in a fully collateralized escrow account.

Sec. 21.76.090. FILING OF AGREEMENT. The board of directors shall file a copy of the cooperative agreement with the director of insurance at least 60 days before the effective date of the agreement. The agreement shall be available for public inspection.

Sec. 21.76.100. REGULATIONS. A cooperative agreement may authorize the board of directors to adopt regulations not inconsistent with law for the fair and equitable administration of the joint insurance arrangement and the joint insurance fund.

Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has a cause of action for reimbursement of money paid to a participating member for a loss or injury if the participating member recovers money for the loss or injury from a third party. The joint insurance arrangement also has a direct cause of action for reimbursement against a third party responsible for loss or injuries sustained by a participating member if the joint arrangement has paid money to the participating member for the loss or injuries.

Sec. 21.76.900. DEFINITIONS. In this chapter

(1) "adjustment expenses" means expenses for investigative,

processing, legal, actuarial, arbitration, and settlement services incurred in the adjustment of losses, claims, or benefits;

(2) "administrator" means a person or group appointed by the board of directors to administer a joint insurance arrangement or a joint insurance fund;

(3) "board" or "board of directors" means the board of directors provided for in a cooperative agreement;

(4) "cooperative agreement" means a written agreement entered into by two or more entities described in AS 21.76.010 for the purpose of establishing, operating, or participating in a joint insurance arrangement;

(5) "fund" or "joint insurance fund" means a fund established under AS 21.76.080;

(6) "joint insurance arrangement" means a joint insurance arrangement authorized under AS 21.76.010.

* Sec. 13. AS 21.39.155(a) is amended to read:

(a) The director may require carriers, except a reciprocal insurer formed by and insuring only a group of municipalities or nonprofit public utilities under AS 21.75 or a joint insurance arrangement formed under AS 21.76, as a condition of writing a line of insurance dealing with workers' compensation, to participate in an assigned risk pool if the director finds that mandatory carrier participation is in the public interest.

* Sec. 14. AS 21.80.180(5) is amended to read:

(5) "insolvent insurer" means an insurer

(A) authorized to transact insurance in this state, except an assessable reciprocal insurer formed by and insuring only municipalities or nonprofit public utilities, a joint insurance arrangement formed under AS 21.76, the Medical Indemnity

1 Corporation of Alaska, and the Health Care Providers Joint Under
2 writing Association established under AS 21.88, either at th
3 time the policy was issued or when the insured event occurred
4 and

5 (B) determined to be insolvent by a court of compe-
6 tent jurisdiction;

7 * Sec. 15. AS 21.80.180(6) is amended to read:

8 (6) "member insurer" means a person, except an assessable
9 reciprocal insurer formed by and insuring only municipalities or
10 nonprofit public utilities, a joint insurance arrangement formed under
11 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
12 Care Providers Joint Underwriting Association established under
13 AS 21.88, who

14 (A) writes any kind of insurance to which this chap-
15 ter applies under AS 21.80.020 including the exchange of recipro-
16 cal or interinsurance contracts, and

17 (B) is licensed to transact insurance in this state;

18 * Sec. 16. AS 21.36.210(e), 21.36.230, and 21.36.300 are repealed.

19 * Sec. 17. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).

Version #2 ✓
Lauterbach
3/10/86

Original sponsor: Josephson

Commit cancelled

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 404 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

authored

*T. Healy
Change*

6 For an Act entitled: "An Act relating to insurance; and providing for an
7 effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 21.36.190(d) is amended to read:

10 (d) This section does not apply to workers' compensation insur-
11 ance when issued to an association of employers formed for purposes
12 other than the purchase of insurance and that

13 (1) has a constitution and bylaws; the requirement of this
14 paragraph does not apply to municipalities, school districts, and
15 regional educational attendance areas;

16 (2) incorporates a safety program;

17 (3) as a group has preferred characteristics over similar
18 risks written on an individual basis; and

19 (4) has filed and received approval from the director for
20 the rating program to be applied to the group.

21 * Sec. 2. AS 21.36.190 is amended by adding a new subsection to read:

22 (e) The provisions of (a) and (b) of this section do not apply
23 to coverage purchased through a joint insurance arrangement formed
24 under AS 21.76.

25 * Sec. 3. AS 21.36.210(a) is amended to read:

26 (a) An insurer may not exercise its right to cancel a policy of
27 personal [AN] automobile insurance [POLICY] except for the following
28 reasons:

29 (1) nonpayment of premium; or

1 (2) the driver's license or motor vehicle registration of
2 either the named insured or of an operator who resides in the same
3 household as the named insured or who customarily operates a motor
4 vehicle insured under the policy has been under suspension or revoca-
5 tion during the policy period or, if the policy is a renewal, during
6 its policy period or the 180 days immediately preceding its effective
7 date.

8 * Sec. 4. AS 21.36.210(d) is amended to read:

9 (d) This section does not apply to

10 (1) the failure to renew a policy, except as to coverage in
11 force for less than 12 months;

12 (2) a policy that has been in effect less than 60 days at
13 the time notice of cancellation is mailed or delivered by the insurer,
14 unless it is a renewal policy;

15 (3) a policy issued under an automobile assigned risk plan
16 or automobile insurance plan;

17 (4) a policy insuring more than four motor vehicles;

18 (5) a policy covering the operation of a garage; automobile
19 sales agency, repair shop, or service station; or public parking
20 place;

21 (6) a policy providing insurance only on an excess basis;

22 (7) any other contract providing insurance to the named
23 insured, even though the contract may incidentally provide insurance
24 with respect to motor vehicles.

25 * Sec. 5. AS 21.36.210(f) is amended to read:

26 (f) An [NOTWITHSTANDING (e) OF THIS SECTION, AN] insurer may not
27 exercise its right to cancel a policy of personal insurance other than
28 personal automobile insurance, except for the following reasons [THE
29 TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING

1 CONDITIONS OR CIRCUMSTANCES ARISES]:

2 (1) nonpayment of premiums, including nonpayment of addi-
3 tional premiums, calculated in accordance with the current rating
4 manual of the insurer, justified by a physical change in the insured
5 property or a change in its occupancy or use;

6 (2) conviction of the insured of a crime having as one of
7 its necessary elements an act increasing a hazard insured against;

8 (3) discovery of fraud or material misrepresentation made
9 by the insured or a representative of the insured in obtaining the
10 insurance or by the insured in pursuing a claim under the policy;

11 (4) discovery of a grossly negligent act or omission by the
12 insured that substantially increases the hazards insured against; or

13 (5) physical changes in the insured property that result in
14 the property becoming uninsurable.

15 * Sec. 6. AS 21.36.220 is amended to read:

16 Sec. 21.36.220. NOTICE OF CANCELLATION. An insurer may not
17 exercise its right to cancel a personal insurance policy unless a
18 written notice of cancellation is mailed or delivered to the named
19 insured, at the address shown in the policy, at least 20 days before
20 the effective date of cancellation. However, if [, EXCEPT THAT WHEN]
21 cancellation is for nonpayment of premium, the notice shall be mailed
22 or delivered to the named insured at the address shown in the policy
23 at least 10 days before the effective date of cancellation, and must
24 [SHALL] include or be accompanied by a statement of the reason for the
25 cancellation. [THIS SECTION DOES NOT APPLY TO THE FAILURE TO RENEW A
26 POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS THAN 12 MONTHS.]

27 * Sec. 7. AS 21.36.220 is amended by adding a new subsection to read:

28 (b) An insurer may not exercise its right to cancel a policy of
29 business or commercial insurance unless a written notice of

1 cancellation is mailed or delivered to the named insured, at the
2 address shown in the policy, and to the agent or broker of record, at
3 least 60 days before the effective date of cancellation. However, if
4 cancellation is for nonpayment of premium, the notice shall be mailed
5 or delivered to the named insured at the address shown in the policy
6 and to the agent or broker of record at least 10 days before the
7 effective date of cancellation, and must include or be accompanied by
8 a statement of the reason for the cancellation.

9 * Sec. 8. AS 21.36 is amended by adding a new section to read:

10 Sec. 21.36.235. RETURN OF PREMIUM UPON CANCELLATION. If an
11 insurer cancels a policy under AS 21.36.220(b), it shall return any
12 unearned premium to the agent or broker of record or directly to the
13 insured or premium finance company, if applicable, by the effective
14 date of cancellation, except that if cancellation is for nonpayment of
15 premium, any unearned premium shall be returned within 30 days after
16 the notice of cancellation is given. If the unearned premium is
17 returned by the insurer to a person other than the insured, that
18 person shall promptly return the unearned premium to the insured
19 unless otherwise provided by agreement between the person and the
20 insured.

21 * Sec. 9. AS 21.36.240 is amended to read:

22 Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to
23 renew a personal insurance policy in force for less than 12 months.
24 An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR
25 MORE] unless a written notice of nonrenewal is mailed or delivered to
26 the named insured, at the address shown in the policy, at least 20
27 days for a personal insurance policy, and at least 60 days for a
28 business or commercial insurance policy, before the expiration date of
29 the policy [,] or of the anniversary date of a policy written for a

1 term longer than one year or with no fixed expiration date. This
2 section does not apply

3 (1) if the insurer has in good faith manifested in any way
4 its willingness to renew;

5 (2) in case of nonpayment of premium for the expiring
6 policy; or

7 (3) if the insured fails to pay the premium as required by
8 the insurer for renewal.

9 * Sec. 10. AS 21.36.250 is amended to read:

10 Sec. 21.36.250. NOTICE OF ELIGIBILITY. When a policy of automo-
11 bile liability insurance is cancelled, other than for nonpayment of
12 premium, or is not renewed in accordance with [FOR FAILURE TO RENEW A
13 POLICY OF AUTOMOBILE LIABILITY INSURANCE TO WHICH] AS 21.36.240 [AP-
14 PLIES], the insurer shall notify the named insured of possible eligi-
15 bility for automobile insurance through the automobile assigned risk
16 plan, or automobile insurance plan. The notification must [SHALL]
17 accompany or be included in the notice of cancellation or nonrenewal
18 required by AS 21.36.220 [AS 21.36.230] and 21.36.240.

19 * Sec. 11. AS 21.36.310 is amended to read:

20 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 - 21.36.310

21 (1) "business or commercial insurance" means insurance
22 other than personal insurance, life insurance, disability insurance,
23 title insurance, or an annuity contract;

24 (2) "nonpayment of premium" means failure of the named
25 insured to discharge when due any obligations of the named insured in
26 connection with the payment of premium on a policy, or any installment
27 of the premium, whether the premium is payable directly to the insurer
28 or its agent or indirectly under any premium finance plan or extension
29 of credit;

1 (3) "personal automobile insurance" means insurance not
2 related to business or commercial activities, covering [(2) "POLICY"
3 MEANS AN INSURANCE POLICY COVERING THE RISKS AND EXPOSURES LISTED IN
4 AS 21.36.210(e) OR AN AUTOMOBILE POLICY THAT INCLUDES] automobile
5 liability [COVERAGE], uninsured or underinsured motorists [MOTORIST
6 COVERAGE], automobile medical payments [COVERAGE], or automobile
7 physical damage [COVERAGE], that is delivered or issued for delivery
8 in this state, [INSURING AS THE NAMED INSURED, ONE INDIVIDUAL OR HUS-
9 BAND AND WIFE RESIDENT OF THE SAME HOUSEHOLD,] and under which the
10 insured vehicles are of the following types only:

11 (A) a motor vehicle of the private passenger or sta-
12 tion wagon type that is not used as a public or livery convey-
13 ance, nor rented to others, or

14 (B) any other four-wheel motor vehicle with a load
15 capacity of 1,500 pounds or less that is not used in the occupa-
16 tion, profession, or business of the insured, nor used as a
17 public or livery conveyance, nor rented to others;

18 (4) "personal insurance" does not include an annuity con-
19 tract or a policy of life insurance, disability insurance, or title
20 insurance; the term means personal automobile insurance, or insurance
21 covering

22 (A) loss of or damage to real property that is used
23 predominantly for residential purposes and that does not consist
24 of more than four dwelling units;

25 (B) loss of or damage to personal property, including
26 personal effects, household furniture, fixtures and equipment
27 located in not more than four dwelling units; or

28 (C) legal liability of natural persons for loss of,
29 damage to, or injury to, persons or property if the insurance

1 does not cover liability arising from or in connection with
2 business or commercial activities;

3 (5) [(3)] "renewal" or "renew" means

4 (A) the issuance and delivery by an insurer of a
5 policy replacing at the end of the policy period a policy previ-
6 ously issued and delivered by the same insurer,

7 (B) the issuance and delivery of a certificate or
8 notice extending the term of a policy beyond its policy period or
9 term, or

10 (C) the extension of the term of a policy beyond its
11 policy period or term under a provision for extending the policy
12 by payment of a continuation premium.

13 * Sec. 12. AS 21 is amended by adding a new chapter to read:

14 CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

15 Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-
16 MENTS. (a) Municipalities, school districts, and regional educa-
17 tional attendance areas may enter into cooperative agreements with
18 each other for the purpose of establishing, operating, or participat-
19 ing in joint insurance arrangements through which the participating
20 members agree to pool contributions and

21 (1) assume risks from losses on a group basis; or

22 (2) purchase coverage on a group basis.

23 (b) A joint insurance arrangement under (a)(1) of this section
24 may be only for property insurance.

25 (c) A joint insurance arrangement under (a)(2) of this section
26 may be for any kind of insurance defined by this title except for

27 (1) life, annuity, disability, and title insurance; and

28 (2) surety.

29 (d) A joint insurance arrangement shall be considered an

1 alternative or supplement to any other policy or contract of insurance
2 authorized or required by law, including insurance under AS 21.75.

3 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint
4 insurance arrangement may not be considered insurance for the purpose
5 of any other law of the state and is not subject to regulations of the
6 director except as expressly provided in this chapter.

7 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
8 cooperative agreement shall provide for the proper operation of the
9 joint insurance arrangement, and include provisions for

10 (1) administration of the arrangement by a board of direc-
11 tors, specifying the number of members of the board and other require-
12 ments necessary for the proper functioning of the board;

13 (2) appointment of an administrator and other persons as
14 necessary for the proper functioning of the arrangement;

15 (3) organization of the arrangement, including a roster of
16 participating members and the names of the members of the board of
17 directors;

18 (4) procedures to establish and promote an aggressive risk
19 management and program among the members of the arrangement, including
20 procedures for identifying and reducing the risks that can be reduced
21 through implementing better safety technologies and improved work
22 techniques and procedures;

23 (5) enforcing the collection of contributions or payments
24 in default from members of the arrangement;

25 (6) the addition of new members to the arrangement or the
26 withdrawal of members from the arrangement;

27 (7) the method of apportioning costs and disposition of
28 excess contributions;

29 (8) transmission of financial statements and audit reports

1 of the arrangement to participating members;

2 (9) terminating the arrangement and disposing of its as-
3 sets; and

4 (10) establishing and administering a joint insurance fund.

5 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
6 cooperative agreement must include a provision requiring an annual
7 determination by a casualty actuary who is a member of the American
8 Academy of Actuaries that procedures for establishing reserves for
9 losses of the joint insurance arrangement are actuarially sound.

10 (b) A joint insurance arrangement shall be subject to an annual
11 independent audit. The audit shall be conducted in accordance with
12 generally accepted auditing standards and must include a review of the
13 actuarial assumptions used for establishing the reserves under (a) of
14 this section. The audit report must include certification from a
15 casualty actuary who is a member of the American Academy of Actuaries
16 that the actuarial assumptions continue to be sound and the level of
17 the reserves are adequate.

18 (c) A joint insurance arrangement shall use a method of account-
19 ing that conforms with generally accepted government accounting prin-
20 ciples.

21 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
22 cooperative agreement may authorize the board of directors to enter
23 into contracts for services necessary to perform the functions of a
24 joint insurance arrangement. The person contracting to perform the
25 functions must be appropriately licensed under this title if this
26 title so requires.

27 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
28 ative agreement may delegate to the board of directors, or authorize
29 delegation by the board to another person or group, the power to

1 compromise, arbitrate, or otherwise settle claims on behalf of the
2 arrangement.

3 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
4 authorize the board of directors to purchase excess or catastrophic
5 insurance on behalf of the joint insurance arrangement. The cost of
6 the insurance shall be apportioned in the manner specified in the
7 joint insurance agreement. The board may purchase insurance under
8 this section only from an insurer authorized to do business in the
9 state or from an unauthorized insurer if the insurance is placed
10 through a licensed surplus lines broker.

11 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
12 arrangement shall establish a joint insurance fund. The fund consists
13 of money

14 (1) contributed by members of the joint insurance arrange-
15 ment through budgetary appropriations or transfers from a self-insur-
16 ance reserve; and

17 (2) collected by the joint insurance arrangement through
18 subrogation of a claim paid from the fund to a member of the arrange-
19 ment.

20 (b) An expenditure may be made from a joint insurance fund only
21 to pay claims, losses, or benefits, including interest on them, and
22 the administrative and adjustment expenses incurred in connection with
23 them, involving the types of protection for which the fund provides
24 coverage as specified in the joint insurance agreement.

25 (c) The administrator shall keep the fund separate from other
26 funds of a member of a joint insurance arrangement.

27 (d) For each type of protection offered by the joint insurance
28 arrangement, the method of accounting must show the order, source,
29 date, and amount of each payment from the fund.

1 (e) Within 60 days of the end of the fiscal year, the adminis-
2 trator shall furnish a detailed report of the operation and condition
3 of the fund to the board of directors and the director of insurance.
4 The report furnished to the director of insurance shall be available
5 for public inspection.

6 (f) Money held by a fund as reserves and money not needed for
7 daily operations may be invested by the board of directors.

8 (g) A fund may not be terminated unless the administrator certi-
9 fies that an amount of money sufficient to pay accrued and contingent
10 expenditures has been placed in a fully collateralized escrow account.

11 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
12 shall file a copy of the cooperative agreement with the director of
13 insurance at least 60 days before the effective date of the agreement.
14 The agreement shall be available for public inspection.

15 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
16 thorize the board of directors to adopt regulations not inconsistent
17 with law for the fair and equitable administration of the joint insur-
18 ance arrangement and the joint insurance fund.

19 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
20 a cause of action for reimbursement of money paid to a participating
21 member for a loss or injury if the participating member recovers money
22 for the loss or injury from a third party. The joint insurance ar-
23 rangement also has a direct cause of action for reimbursement against
24 a third party responsible for loss or injuries sustained by a partic-
25 ipating member if the joint arrangement has paid money to the partic-
26 ipating member for the loss or injuries.

27 Sec. 21.76.900. DEFINITIONS. In this chapter

28 (1) "adjustment expenses" means expenses for investigative,
29 processing, legal, actuarial, arbitration, and settlement services

1 incurred in the adjustment of losses, claims, or benefits;

2 (2) "administrator" means a person or group appointed by
3 the board of directors to administer a joint insurance arrangement or
4 a joint insurance fund;

5 (3) "board" or "board of directors" means the board of
6 directors provided for in a cooperative agreement;

7 (4) "cooperative agreement" means a written agreement
8 entered into by two or more entities described in AS 21.76.010 for the
9 purpose of establishing, operating, or participating in a joint insur-
10 ance arrangement;

11 (5) "fund" or "joint insurance fund" means a fund estab-
12 lished under AS 21.76.080;

13 (6) "joint insurance arrangement" means a joint insurance
14 arrangement authorized under AS 21.76.010.

15 * Sec. 13. AS 21.39.155(a) is amended to read:

16 (a) The director may require carriers, except a reciprocal
17 insurer formed by and insuring only a group of municipalities or
18 nonprofit public utilities under AS 21.75 or a joint insurance ar-
19 angement formed under AS 21.76, as a condition of writing a line of
20 insurance dealing with workers' compensation, to participate in an
21 assigned risk pool if the director finds that mandatory carrier part-
22 icipation is in the public interest.

23 * Sec. 14. AS 21.80.180(5) is amended to read:

24 (5) "insolvent insurer" means an insurer

25 (A) authorized to transact insurance in this state,
26 except an assessable reciprocal insurer formed by and insuring
27 only municipalities or nonprofit public utilities, a joint insur-
28 ance arrangement formed under AS 21.76, the Medical Indemnity
29 Corporation of Alaska, and the Health Care Providers Joint

1 Underwriting Association established under AS 21.88, either at
2 the time the policy was issued or when the insured event
3 occurred, and

4 (B) determined to be insolvent by a court of compe-
5 tent jurisdiction;

6 * Sec. 15. AS 21.80.180(6) is amended to read:

7 (6) "member insurer" means a person, except an assessable
8 reciprocal insurer formed by and insuring only municipalities or
9 nonprofit public utilities, a joint insurance arrangement formed under
10 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
11 Care Providers Joint Underwriting Association established under
12 AS 21.88, who

13 (A) writes any kind of insurance to which this chap-
14 ter applies under AS 21.80.020 including the exchange of recipro-
15 cal or interinsurance contracts, and

16 (B) is licensed to transact insurance in this state;

17 * Sec. 16. AS 21.36.210(e), 21.36.230, and 21.36.300 are repealed.

18 * Sec. 17. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).

Introduced: 2/13/86
Referred: Labor and Commerce
and Finance

1 IN THE SENATE

BY JOSEPHSON

2

SENATE BILL NO. 404

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to insurance; authorizing joint

7

insurance arrangements; repealing a prohibition

8

against certain types of group insurance; and provid-

9

ing for an effective date."

10

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11

* Section 1. AS 21 is amended by adding a new chapter to read:

12

CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

13

Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-

14

MENTS. (a) Municipalities, school districts, and regional educa-

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(1) assume risks from losses on a group basis; or

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(2) purchase coverage on a group basis.

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(b) A joint insurance arrangement may be for any kind of insur-

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(1) life, annuity, disability, and title insurance; and

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(c) A joint insurance arrangement shall be considered an alter-

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28

Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint

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insurance arrangement may not be considered insurance for the purpose

1 of any other law of the state and is not subject to regulations of the
2 director except as expressly provided in this chapter.

3 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
4 cooperative agreement shall provide for the proper operation of the
5 joint insurance arrangement, and include provisions for

6 (1) administration of the arrangement by a board of direc-
7 tors, specifying the number of members of the board and other require-
8 ments necessary for the proper functioning of the board;

9 (2) appointment of an administrator and other persons as
10 necessary for the proper functioning of the arrangement;

11 (3) organization of the arrangement, including a roster of
12 participating members and the names of the members of the board of
13 directors;

14 (4) procedures to establish and promote an aggressive risk
15 management and program among the members of the arrangement, including
16 procedures for identifying and reducing the risks that can be reduced
17 through implementing better safety technologies and improved work
18 techniques and procedures;

19 (5) enforcing the collection of contributions or payments
20 in default from members of the arrangement;

21 (6) the addition of new members to the arrangement or the
22 withdrawal of members from the arrangement;

23 (7) the method of apportioning costs and disposition of
24 excess contributions;

25 (8) transmission of financial statements and audit reports
26 of the arrangement to participating members;

27 (9) terminating the arrangement and disposing of its as-
28 sets; and

29 (10) establishing and administering a joint insurance fund.

1 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
2 cooperative agreement must include a provision requiring an annual
3 determination by a casualty actuary who is a member of the American
4 Academy of Actuaries that procedures for establishing reserves for
5 losses of the joint insurance arrangement are actuarially sound.

6 (b) A joint insurance arrangement shall be subject to an annual
7 independent audit. The audit shall be conducted in accordance with
8 generally accepted auditing standards and must include a review of the
9 actuarial assumptions used for establishing the reserves under (a) of
10 this section. The audit report must include certification from a
11 casualty actuary who is a member of the American Academy of Actuarie.
12 that the actuarial assumptions continue to be sound and the level of
13 the reserves are adequate.

14 (c) A joint insurance arrangement shall use a method of account-
15 ing that conforms with generally accepted government accounting prin-
16 ciples.

17 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
18 cooperative agreement may authorize the board of directors to enter
19 into contracts for services necessary to perform the functions of a
20 joint insurance arrangement. The person contracting to perform the
21 functions must be appropriately licensed under this title if this
22 title so : res.

23 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
24 ative agreement may delegate to the board of directors, or authorize
25 delegation by the board to another person or group, the power to
26 compromise, arbitrate, or otherwise settle claims on behalf of the
27 arrangement.

28 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
29 authorize the board of directors to purchase excess or catastrophic

1 insurance on behalf of the joint insurance arrangement. The cost of
2 the insurance shall be apportioned in the manner specified in the
3 joint insurance agreement. The board may purchase insurance under
4 this section only from an insurer authorized to do business in the
5 state or from an unauthorized insurer if the insurance is placed
6 through a licensed surplus lines broker.

7 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
8 arrangement shall establish a joint insurance fund. The fund consists
9 of money

10 (1) contributed by members of the joint insurance arrange-
11 ment through budgetary appropriations or transfers from a self-
12 insurance reserve; and

13 (2) collected by the joint insurance arrangement through
14 subrogation of a claim paid from the fund to a member of the arrange-
15 ment.

16 (b) An expenditure may be made from a joint insurance fund only
17 to pay claims, losses, or benefits, including interest on them, and
18 the administrative and adjustment expenses incurred in connection with
19 them, involving the types of protection for which the fund provides
20 coverage as specified in the joint insurance agreement.

21 (c) The administrator shall keep the fund separate from other
22 funds of a member of a joint insurance arrangement.

23 (d) For each type of protection offered by the joint insurance
24 arrangement, the method of accounting must show the order, source,
25 date, and amount of each payment from the fund.

26 (e) Within 60 days of the end of the fiscal year, the adminis-
27 trator shall furnish a detailed report of the operation and condition
28 of the fund to the board of directors and the director of insurance.

29 The report furnished to the director of insurance shall be available

1 for public inspection.

2 (f) Money held by a fund as reserves and money not needed for
3 daily operations may be invested by the board of directors.

4 (g) A fund may not be terminated unless the administrator certi-
5 fies that an amount of money sufficient to pay accrued and contingent
6 expenditures has been placed in a fully collateralized escrow account.

7 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
8 shall file a copy of the cooperative agreement with the director of
9 insurance at least 60 days before the effective date of the agreement.
10 The agreement shall be available for public inspection.

11 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
12 thorize the board of directors to adopt regulations not inconsistent
13 with law for the fair and equitable administration of the joint insur-
14 ance arrangement and the joint insurance fund.

15 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
16 a cause of action for reimbursement of money paid to a participating
17 member for a loss or injury if the participating member recovers money
18 for the loss or injury from a third party. The joint insurance
19 arrangement also has a direct cause of action for reimbursement
20 against a third party responsible for loss or injuries sustained by a
21 participating member if the joint arrangement has paid money to the
22 participating member for the loss or injuries.

23 Sec. 21.76.900. DEFINITIONS. In this chapter

24 (1) "adjustment expenses" means expenses for investigative,
25 processing, legal, actuarial, arbitration, and settlement services
26 incurred in the adjustment of losses, claims, or benefits;

27 (2) "administrator" means a person or group appointed by
28 the board of directors to administer a joint insurance arrangement or
29 a joint insurance fund;

1 (3) "board" or "board of directors" means the board of
2 directors provided for in a cooperative agreement;

3 (4) "cooperative agreement" means a written agreement
4 entered into by two or more entities described in AS 21.76.010 for the
5 purpose of establishing, operating, or participating in a joint insur-
6 ance arrangement;

7 (5) "fund" or "joint insurance fund" means a fund estab-
8 lished under AS 21.76.080;

9 (6) "joint insurance arrangement" means a joint insurance
10 arrangement authorized under AS 21.76.010.

11 * Sec. 2. AS 21.39.155(a) is amended to read:

12 (a) The director may require carriers, except a reciprocal
13 insurer formed by and insuring only a group of municipalities or
14 nonprofit public utilities under AS 21.75 or a joint insurance ar-
15 angement formed under AS 21.76, as a condition of writing a line of
16 insurance dealing with workers' compensation, to participate in an
17 assigned risk pool if the director finds that mandatory carrier part-
18 icipation is in the public interest.

19 * Sec. 3. AS 21.80.180(5) is amended to read:

20 (5) "insolvent insurer" means an insurer

21 (A) authorized to transact insurance in this state,
22 except an assessable reciprocal insurer formed by and insuring
23 only municipalities or nonprofit public utilities, a joint insur-
24 ance arrangement formed under AS 21.76, the Medical Indemnity
25 Corporation of Alaska, and the Health Care Providers Joint Under-
26 writing Association established under AS 21.88, either at the
27 time the policy was issued or when the insured event occurred,
28 and

29 (B) determined to be insolvent by a court of

1 competent jurisdiction;

2 * Sec. 4. AS 21.80.180(6) is amended to read:

3 (6) "member insurer" means a person, except an assessable
4 reciprocal insurer formed by and insuring only municipalities or
5 nonprofit public utilities, a joint insurance arrangement formed under
6 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
7 Care Providers Joint Underwriting Association established under
8 AS 21.88, who

9 (A) writes any kind of insurance to which this chap-
10 ter applies under AS 21.80.020 including the exchange of recipro-
11 cal or interinsurance contracts, and

12 (B) is licensed to transact insurance in this state;

13 * Sec. 5. AS 21.36.190 is repealed.

14 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

CHAPTER = 21.36
SECTION = 21.36.190
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.190.
CATCH LINE

FICTITIOUS GROUPS.

TEXT (a) An insurer, whether an authorized or unauthorized insurer, may not make available through a rating plan or form, property, casualty or surety insurance to a firm, corporation, or association of individuals, a preferred rate or premium based upon a fictitious group of the firm, corporation, or association of individuals.

(b) A form or plan of insurance covering a group or combination of persons or risks may not be written or delivered inside or outside this state to cover persons or risks in this state at a preferred rate or on a form other than that offered to persons not in the group or combination and to the public generally, unless the form, plan of insurance, and the rates or premiums to be charged have been submitted to and approved by the director as being not unfairly discriminatory and not otherwise in conflict with (a) of this section or with AS 21.39 to the extent that AS 21.39 is, by its terms, applicable to it.

(c) This section does not apply to mortgage guaranty insurance, life insurance, disability insurance, or annuity contracts.

(d) This section does not apply to workers' compensation insurance when issued to an association of employers formed for purposes other than the purchase of insurance and that

(1) has a constitution and bylaws;

(2) incorporates a safety program;

(3) as a group has preferred characteristics over similar risks written on an individual basis; and

(4) has filed and received approval from the director for the rating program to be applied to the group.

HISTORY (Sec. 1 ch 120 SLA 1966; am sec. 9 ch 206 SLA 1976; am sec. 1 ch 75 SLA 1977)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.195
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION sec. 21.36.195.
CATCH LINE
SURPLUS LINES BROKERS; PROHIBITED ACTS.
TEXT A surplus lines broker may not fail to provide the evidences of insurance, affidavits, filings, or reports, or fail to maintain the records, or fail to pay the taxes and fees, required under AS 21.34.
HISTORY (Sec. 22 ch 117 SLA 1984)

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.200
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.200.
CATCH LINE
FALSE APPLICATIONS, CLAIMS, PROOFS OF LOSS.
TEXT Repealed, sec. 22 ch 149 SLA 1984.

END OF DOCUMENT

CHAPTER = 21.36
SECTION = 21.36.210
TITLE = 21
HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.
CITATION Sec. 21.36.210.
CATCH LINE
LIMITS ON CANCELLATION.
TEXT (a) An insurer may not exercise its right to cancel an automobile insurance policy except for the following reasons:
(1) nonpayment of premium; or
(2) the driver's license or motor vehicle registration of either the named insured or of an operator who resides in the same household as the named insured or who customarily operates a motor vehicle insured under the policy has been under suspension or revocation during the policy period or,

if the policy is a renewal, during its policy period or the 180 days immediately preceding its effective date.

(b) During the policy period, a modification of automobile physical damage coverage, except coverage for loss caused by collision, whereby provision is made for the application of a deductible amount not exceeding \$100 is not a cancellation of the coverage or of the policy.

(c) Renewal of a policy does not constitute a waiver or estoppel with respect to grounds for cancellation that existed before the effective date of the renewal.

(d) This section does not apply to the failure to renew a policy, except as to coverage in force for less than 12 months.

(e) An insurer may not cancel an insurance policy that covers

(1) loss of or damage to real property that is used predominantly for residential purposes and does not consist of more than four dwelling units;

(2) loss of or damage to personal property, including but not limited to personal effects, household furniture, fixtures and equipment located in not more than four dwelling units; or

(3) legal liability of natural persons for loss of, damage to or injury to persons or property when the insurance does not cover liability arising from or in connection with business or commercial activities.

(f) Notwithstanding (e) of this section, an insurer may cancel a policy of the type described in

(e) of this section if one of the following conditions or circumstances arises:

(1) nonpayment of premiums, including nonpayment of additional premiums, calculated in accordance with the current rating manual of the insurer, justified by a physical change in the insured property or a change in its occupancy or use;

(2) conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;

(3) discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy;

(4) discovery of a grossly negligent act or omission by the insured that substantially increases the hazards insured against;

(5) physical changes in the insured property that result in the property becoming uninsurable.

HISTORY (Sec. 1 ch 28 SLA 1970; am sec. 1 ch 13 SLA 1972)

END OF DOCUMENT