

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

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1 hospitals who pay the premium for it and who are terminating their
2 original covered claims contract with the corporation for a period of
3 not less than one year;

4 (11) subject to approval by the director, extend coverage
5 to a person, entity, or facility that renders health care services in
6 the state under the supervision of a physician

7 * Sec. 46. AS 21.90.900 is amended to read:

8 Sec. 21.90.900. DEFINITIONS FOR TITLE. In this title, unless
9 the context requires otherwise,

10 (1) "adjuster" means a person who, for compensation as an
11 independent contractor or as an employee of an independent contractor,
12 or for fee or commission, investigates and adjusts claims arising
13 under insurance contracts on behalf of the insurer, but does not
14 include an attorney at law who adjusts insurance losses from time to
15 time incidental to the practice of law or a salaried employee of an
16 insurer;

17 (2) "agent" means a person appointed by an insurer to
18 solicit applications for insurance or annuities on its behalf, and if
19 authorized to do so, to effectuate and countersign insurance con-
20 tracts, except life or disability insurance or annuities, and to
21 collect premiums on insurance or annuities;

22 (3) "alien insurer" means an insurer formed under the laws
23 of a country other than the United States of America, its states,
24 districts, territories, and commonwealths;

25 (4) [(2)] "authorized insurer" means an insurer authorized
26 by a [SUBSISTING] certificate of authority issued by the director to
27 transact insurance in this state;

28 (5) "broker" means a person who is not an agent of the
29 insurer and who, on behalf of the insured, for compensation as an

1 independent contractor by commission or fee, solicits, negotiates, or
2 procures insurance or reinsurance or the renewal or continuance of
3 insurance or reinsurance; or in any manner aids in the solicitation,
4 negotiation, procurement, renewal, or continuance of insurance or
5 reinsurance, for insureds or prospective insureds not including the
6 broker;

7 (6) [(3)] "commissioner" means the commissioner of the
8 Department of Commerce and Economic Development;

9 (7) [(4)] "court" means superior court;

10 (8) [(5)] "director" means the director of the division of
11 insurance;

12 (9) [(6)] "division" means the division of insurance,
13 Department of Commerce and Economic Development;

14 (10) [(7)] "domestic insurer" means an insurer formed under
15 the laws of this state;

16 (11) "firm" means an organization of two or more licensees
17 acting in association with each other, either in a partnership, corpo-
18 ration, or otherwise, or an organization in which a single licensee
19 has less than 50 percent ownership interest in the organization;

20 (12) [(8)] "foreign insurer" means an insurer formed under
21 the laws of a jurisdiction other than this state and includes an alien
22 insurer;

23 (13) "independent adjuster" means an adjuster representing
24 the interests of the insurer;

25 (14) [(9)] "industrial life insurance" means that form of
26 life insurance written under policies with a face amount of \$1,000 or
27 less, with the words "industrial policy" imprinted on the face as part
28 of the descriptive matter, and under which premiums are payable month-
29 ly or more often;

1 (15) [(10)] "insurance" means a contract whereby one under-
2 takes to indemnify another or pay or provide a specified or determin-
3 able amount or benefit upon determinable contingencies;

4 (16) [(11)] "insurer" includes a person engaged as indemni-
5 tor, surety, or contractor in the business of entering into contracts
6 of insurance or of annuity;

7 (17) [(12)] "person" has the meaning given in AS 01.10.060
8 and includes an insurer, Lloyd's, fraternal benefit society, medical
9 service or hospital service plan as defined in AS 21.87, reciprocal or
10 interinsurance exchange, syndicate, and any other legal entity engaged
11 in the business of transacting insurance, including agents, brokers,
12 and claims adjusters;

13 (18) [(13)] "policy" means the written contract of or writ-
14 ten agreement for or effecting insurance, by whatever name called, and
15 includes all clauses, riders, endorsements and papers attached to it
16 and a part of it;

17 (19) [(14)] "premium" means the consideration for insurance,
18 by whatever name called, and by whatever method paid or collected,
19 including an assessment, or membership policy, survey, inspection,
20 service or similar fee or charge made in consideration for an insur-
21 ance contract;

22 (20) "solicitor" means an individual authorized by an agent
23 or broker to solicit applications for insurance as a representative of
24 the agent or broker and to collect premiums in connection with the
25 insurance;

26 (21) [(15)] "state" means a state, District of Columbia,
27 territory, commonwealth, or possession of the United States of
28 America;

29 (22) [(16)] "transact" with respect to insurance includes

- 1 (A) solicitation and inducement;
2 (B) preliminary negotiations;
3 (C) effectuation of a contract of insurance;
4 (D) transaction of matters subsequent to effectuation
5 of the contract of insurance and arising out of it;

6 (23) [(17)] "unauthorized insurer" means an insurer not
7 authorized to transact insurance in this state.

8 * Sec. 47. AS 21.90 is amended by adding a new section to read:

9 Sec. 21.90.910. EXCEPTIONS FROM DEFINITIONS. The definitions of
10 "adjuster," "agent," "broker," "firm," and "solicitor" in AS 21.90.900
11 do not include

12 (1) individuals employed and used by agents for the perfor-
13 mance of clerical, stenographic, and similar office duties; incidental
14 taking of an application for insurance from time to time in the office
15 of the employing agent if the employee's compensation is not contin-
16 gent upon or related to the volume of applications, insurance, or
17 premiums;

18 (2) the attorney-in-fact of a reciprocal insurer, or the
19 salaried traveling representative of a reciprocal or mutual insurer
20 not compensated on a commission basis.

21 * Sec. 48. AS 21.03.030, 21.03.040, 21.03.050; AS 21.06.040; AS 21.27.-
22 040(b), 21.27.470, 21.27.480, 21.27.490, 21.27.500, 21.27.510, 21.27.520;
23 AS 21.36.210(c), 21.36.210(e), 21.36.230, and 21.36.300 are repealed.

24 * Sec. 49. Sections 1 - 30 and 32 - 48 of this Act apply to insurance
25 policies entered into or renewed on or after the effective date of secs.
26 1 - 30 and 32 - 48 of this Act.

27 * Sec. 50. Section 31 of this Act takes effect immediately under
28 AS 01.10.070(c).

Original sponsors: Navarre, Swackhammer
and Sund.

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 46 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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 21.09.250 is amended to read:

10 Sec. 21.09.250. PROHIBITED ACTS. An insurer doing business in
11 this state may not make, write, place or cause to be made, written or
12 placed in this state a policy, duplicate policy or contract of insur-
13 ance of any kind or character, or general or floating policy upon
14 persons or property resident, situated or located in this state, from
15 or through a broker, agent, general agent, surplus line broker, or
16 person who has not secured a license in this state. An insurer may
17 not pay a commission or any form of remuneration to a person, firm, or
18 organization for the writing or placing of insurance coverage in this
19 state unless that person, firm, or organization holds a license issued
20 by the director.

21 * Sec. 2. AS 21.09.280 is amended to read:

22 Sec. 21.09.280. GENERAL AGENTS [AND MANAGERS]. (a) An insurer
23 appointing a person as its general agent [OR MANAGER] to represent it
24 in this state shall file notice of the appointment with the director
25 on forms prescribed and furnished by the director.

26 (b) A general agent [OR MANAGER] has the authority, consistent
27 with this title, that may be conferred by the insurer. A general
28 agent, resident or nonresident, qualified in AS 21.27.090, licensed as
29 provided in this section in the same manner as is provided for agents

1 in AS 21.27, may exercise the powers conferred by this title upon
2 agents licensed for the kinds of insurance that the general agent is
3 authorized to transact for the insurer appointing the agent.

4 (c) The [EXCEPT AS PROVIDED UNDER AS 21.27.500, THE] appointment
5 of a resident or nonresident general agent is not effective unless the
6 person appointed is licensed as the general agent of the insurer by
7 the director upon application and payment of a fee set under AS 21.-
8 06.250.

9 (d) Every license is subject to the payment of an annual fee set
10 under AS 21.06.250 and payable on or before [EXPIRES AT] the close of
11 business on the 30th day of June of each year [FOLLOWING THE DATE OF
12 ISSUE, AND MAY BE RENEWED FOR AN ADDITIONAL YEAR UPON APPLICATION AND
13 PAYMENT OF THE FEE].

14 (e) The director may deny, suspend, or revoke a license for any
15 cause specified in AS 21.27.410 in the manner provided in AS 21.27.-
16 420.

17 * Sec. 3. AS 21.09.280 is amended by adding new subsections to read:

18 (f) Persons employed on salary by an insurer, including officers
19 and salaried employees performing the same services as general agents,
20 are considered to be service representatives and are not required to
21 be licensed.

22 (g) For purposes of this section, a person, firm, or corporation
23 that performs management services for an insurer is not considered a
24 general agent if

25 (1) the person, firm, or corporation is a wholly-owned
26 subsidiary of the insurer;

27 (2) the person, firm, or corporation wholly owns the insurer;
28 or

29 (3) the person, firm, or corporation is a wholly-owned

1 subsidiary of the insurance holding company that owns or controls the
2 insurer.

3 * Sec. 4. AS 21.27.020 is amended to read:

4 Sec. 21.27.020. GENERAL QUALIFICATIONS FOR LICENSE. For the
5 protection of the people of this state, the director may not issue [OR
6 RENEW] a license except in compliance with this chapter [. OR] to a
7 person, or to be exercised by [.] a person, found by the director to
8 be untrustworthy, incompetent, or who has not established to the
9 satisfaction of the director that the person is qualified under [IN
10 ACCORDANCE WITH] this chapter.

11 * Sec. 5. AS 21.27.030(a) is amended to read:

12 (a) The director may not grant an agent, solicitor, or broker
13 license to a person if the director has reasonable cause to believe
14 that

15 [(1) DURING EITHER OF THE TWO CALENDAR YEARS IMMEDIATELY
16 PRECEDING THE REQUEST FOR RENEWAL OF THE LICENSE THE AGGREGATE AMOUNT
17 OF COMMISSIONS REPRESENTED BY THE CONTROLLED BUSINESS PROCURED BY OR
18 THROUGH THE LICENSEE EXCEEDED THE AGGREGATE AMOUNT OF COMMISSIONS
19 REPRESENTED BY ALL OTHER INSURANCE BUSINESS PROCURED BY OR THROUGH THE
20 LICENSEE; OR

21 [(2) the circumstances of the applicant for the license [OR
22 OF A LICENSEE] are such [AS TO CAUSE THE DIRECTOR REASONABLY TO BE-
23 LIEVE] that during the 12-month period immediately following issuance
24 [OR RENEWAL] of the license, if issued [OR RENEWED], the aggregate
25 amount of commissions to be represented by the controlled business
26 would exceed the aggregate amount of commissions to be represented by
27 all other insurance business to be procured by or through the appli-
28 cant [OR LICENSEE].

29 * Sec. 6. AS 21.27.030 is amended by adding a new subsection to read:

1 (d) The director may revoke an agent, solicitor, or broker
2 license if the director has reasonable cause to believe that during
3 either of the two preceding calendar years the aggregate amount of
4 commissions represented by the controlled business procured by or
5 through the licensee exceeded the aggregate amount of commissions
6 represented by all other insurance business procured by or through the
7 licensee.

8 * Sec. 7. AS 21.27.060 is amended to read:

9 Sec. 21.27.060. EXAMINATION OF APPLICANTS. (a) Each applicant
10 for an individual license as agent, broker, solicitor, or adjuster
11 shall, before the issuance of the license, personally take and pass,
12 to the satisfaction of the director, an examination given by the
13 director as a test of the qualifications and competence of the appli-
14 cant. This requirement does not apply to

15 (1) applicants for limited licenses, as travel insurance
16 agents only, under AS 21.27.150, or, at the discretion of the direc-
17 tor, to applicants for licenses as disability insurance agents for the
18 purpose of handling limited coverages pertaining to sports and recre-
19 ation;

20 (2) applicants who at any time within the five-year period
21 immediately preceding the date of application have been licensed in
22 this state under a license requiring qualifications required by the
23 license applied for and who are considered by the director to be fully
24 qualified and competent;

25 (3) applicants for license as nonresident agent or as
26 nonresident broker who have fulfilled qualification requirements in
27 their state or province of residence and who are considered by the
28 director to be fully qualified and competent;

29 (4) applicants for an agent or solicitor license covering

1 the same kinds of insurance as an agent's or solicitor's license then
2 held by them.

3 (b) The director may at any time require an individual [A]
4 licensed as an agent, broker, solicitor, or adjuster to take and
5 successfully pass an examination testing competence and qualifications
6 as a condition to the continuance [OR RENEWAL] of the license if the
7 licensee has been guilty of violation of this title, or has so con-
8 ducted affairs under the license as to cause the director reasonably
9 to desire further evidence of the qualifications of the licensee.

10 * Sec. 3. AS 21.27.090(a) is amended to read:

11 (a) To qualify for an individual agent or broker license an
12 applicant shall comply with this title and

13 (1) be 19 years of age or over [, IF AN INDIVIDUAL];

14 (2) if for a resident agent's or broker's license, be a
15 bona fide resident before issuance of license [,] and actually reside
16 in the state [RESIDING IN ALASKA, OR IF A CORPORATION, BE OTHER THAN
17 AN INSURER AND MAINTAIN A LAWFULLY ESTABLISHED PLACE OF BUSINESS IN
18 THIS STATE, EXCEPT AS PROVIDED IN AS 21.27.270];

19 (3) [BE EMPOWERED TO BE AN AGENT OR BROKER, AS THE CASE MAY
20 BE, UNDER ITS MEMBERS' AGREEMENT, IF A FIRM, OR BY ITS ARTICLES OF
21 INCORPORATION, IF A CORPORATION;

22 (4) successfully pass any examination required under
23 AS 21.27.060;

24 (4) [(5)] be a trustworthy person;

25 (5) [(6)] not use or intend to use [OR USE] the license for
26 the purpose principally of writing controlled business, as defined in
27 AS 21.27.030;

28 (5) [(7)] if for an agent license, be appointed as its
29 agent by one or more authorized insurers, subject to issuance of the

1 license, except that an individual acting on behalf of a firm is not
2 required to have an appointment as an agent for that activity;

3 (7) [(3)] if for broker license, have had experience either
4 as an agent, solicitor, adjuster, general agent, broker, or as an
5 employee of insurers or representatives of insurers, or special educa-
6 tion or training of sufficient duration and extent reasonably to
7 satisfy the director that the applicant possesses the competence
8 necessary to fulfill the responsibilities of broker.

9 * Sec. 9. AS 21.27.090 is amended by adding a new subsection to read:

10 (c) To qualify for a firm agent or broker license an applicant
11 shall comply with this title and

12 (1) comply with (a)(4) and (5) of this section;

13 (2) if a corporation, maintain a lawfully established place
14 of business in this state, except as provided in AS 21.27.270.

15 * Sec. 10. AS 21.27.130 is amended to read:

16 Sec. 21.27.130. CONTENT OF AGENT, BROKER, SOLICITOR LICENSES.
17 Agent, solicitor, and broker licenses must [SHALL] be in the form the
18 director prescribes, and must [SHALL] set out

19 (1) the name and address of the licensee, or if the lic-
20 ensee is required to have a place of business, the address of the
21 place of business;

22 (2) if the agent or broker is a firm [OR CORPORATION], the
23 name of the principal or manager of the firm holding an individual
24 license as required by AS 21.27.140 [EACH INDIVIDUAL AUTHORIZED TO
25 EXERCISE THE POWERS CONFERRED BY THE LICENSE];

26 (3) the kind or kinds of insurance the licensee is [THERE-
27 BY] licensed to handle;

28 (4) if a solicitor's license, the name and address of the
29 agent or broker represented by the solicitor;

1 (5) the condition under which the license is granted;

2 (6) the date of issuance [AND DATE OF EXPIRATION] of the
3 license.

4 * Sec. 11. AS 21.27.140 is amended to read:

5 Sec. 21.27.140. LICENSES TO FIRMS [AND CORPORATIONS]. A firm
6 shall have a firm license of the same degree as each individual li-
7 icensee acting on behalf of the firm. A firm [OR CORPORATION] may not
8 be licensed as an adjuster, agent, or broker unless each individual
9 acting as or representing to be an adjuster, agent, or broker on
10 behalf of the firm is licensed as an individual, and the principal or
11 manager of the firm is licensed as an individual to exercise all the
12 powers conferred by the firm's license. If the licensee knows of and
13 consents to an act or representation on behalf of the firm by an
14 individual who is not licensed as required by this chapter, that act
15 or representation [TO BE EMPOWERED AND DESIGNATED IN THE LICENSE TO
16 EXERCISE THE POWERS CONFERRED BY THE LICENSE IS QUALIFIED AS THOUGH
17 THE INDIVIDUAL WERE THE SOLE INDIVIDUAL, TO BE SO EMPOWERED, EXCEPT
18 THAT A FIRM OR CORPORATION LICENSED FOR ALL LINES MAY EMPOWER AND
19 DESIGNATE ANY INDIVIDUAL, OTHER THAN THE PRINCIPAL OR MANAGER, LI-
20 CENSED FOR ONLY PROPERTY-CASUALTY OR LIFE-DISABILITY TO EXERCISE THE
21 POWERS CONFERRED BY THE LICENSE TO THE EXTENT THAT INDIVIDUAL IS
22 QUALIFIED TO ACT. EXERCISE OR ATTEMPTED EXERCISE OF THE POWERS BY AN
23 INDIVIDUAL NOT SO DESIGNATED, WITH THE KNOWLEDGE OR CONSENT OF THE
24 LICENSEE,] is cause for the revocation or suspension of the firm
25 license.

26 * Sec. 12. AS 21.27.170(b) is amended to read:

27 (b) The director shall issue to the agent a special vending
28 machine license for each machine to be used. The license must [SHALL]
29 specify the name and address of the insurer and agent, the name of the

1 policy to be sold, the serial number of the machine, and the place
2 where the machine is to be in operation. The license is [SHALL BE]
3 subject to [ANNUAL CONTINUATION, TO EXPIRATION,] suspension or revoca-
4 tion coincidentally with that of the agent. The director shall also
5 revoke the license on a machine if the director finds that the condi-
6 tions upon which the machine was licensed, under [AS REFERRED TO IN]
7 (a) of this section, no longer exist. Proof of the existence of a
8 [SUBSISTING] license shall be displayed on or about each vending
9 machine in use in the manner the director may reasonably require.

10 * Sec. 13. AS 21.27.190(a) is amended to read:

11 (a) Each applicant for a broker license [OR FOR THE RENEWAL OF A
12 BROKER LICENSE EXISTING ON JULY 1, 1966,] shall file with the applica-
13 tion [OR REQUEST FOR RENEWAL] and shall after that [THEREAFTER] main-
14 tain in force while [SO] licensed a bond in favor of the people of the
15 state, executed by an authorized corporate surety approved by the
16 director, in the amount of \$10,000 [\$5,000]. The bond may be continu-
17 ous in form, and total aggregate liability on the bond may be limited
18 to the payment of \$10,000 [\$5,000]. The bond must [SHALL] be contin-
19 gent on the accounting by the broker, to a 'ANY' person requesting the
20 broker to obtain insurance or to a person from whom the broker obtains
21 insurance, for money or premiums collected in connection with the
22 insurance [THEREWITH].

23 * Sec. 14. AS 21.27.190 is amended by adding a new subsection to read:

24 (c) An individual who acts on behalf of a firm that files and
25 maintains in force the bond described in (a) of this section is exempt
26 from the requirements of (a) of this section.

27 * Sec. 15. AS 21.27.200(a) is repealed and reenacted to read:

28 (a) A broker is not an agent or other representative of an
29 insurer and does not have power as a broker to bind the insurer

1 regarding a risk or an insurance contract.

2 * Sec. 16. AS 21.27.200 is amended by adding new subsections to read:

3 (c) In determining an insured's entitlement to coverage or
4 return premium, a premium payment made to a broker shall be considered
5 received by the insurer if

6 (1) the payment was, at the time it was made, designated
7 for specific coverage; and

8 (2) the insurer accepted or acknowledged coverage by issu-
9 ing a policy, binder, or other contract for temporary insurance.

10 (d) A broker may not knowingly accept payment for coverage until
11 coverage is authorized by an insurer.

12 (e) Except as provided under (c) of this section, this section
13 is not intended to alter the common law of agency as applied to trans-
14 actions under this title.

15 * Sec. 17. AS 21.27.240(a) is amended to read:

16 (a) An agent or broker who employs a solicitor shall pay the
17 [THE] fee for issuance or annual fee for continuation [RENEWAL] of a
18 solicitor license [SHALL BE PAID BY THE AGENT OR BROKER BY WHOM THE
19 SOLICITOR IS EMPLOYED].

20 * Sec. 18. AS 21.27.300 is amended to read:

21 Sec. 21.27.300. CONTENTS OF LICENSE. The director shall pre-
22 scribe the form of adjuster license, which must contain

23 (1) the name and business address of the adjuster;

24 (2) date of issuance [AND DATE OF EXPIRATION] of the li-
25 cense;

26 (3) other statements proper to the purposes of the license.

27 * Sec. 19. AS 21.27.350 is amended by adding a new subsection to read:

28 (c) In addition to the record required under (a) of this sec-
29 tion, each agent or broker shall have and maintain at the agent's or

broker's principal place of business current accounting and financial records maintained in accordance with generally accepted accounting principles. The director may request summary or detailed copies for examination by the division. Records examined under this subsection are confidential when in the possession of the division, but may be used by the director in a proceeding against the licensee. For purposes of this subsection, the records of a firm shall be considered the records of an individual agent or broker acting on behalf of the firm.

S c. 20. AS 21.27.360(b) is amended to read:

(b) All funds, except those made payable to the insurer, representing premiums or return premiums received by an agent or broker, shall be received in the fiduciary account of the agent or broker, and shall be deposited in a bank account or depository separate from any other account or depository, and shall be promptly accounted for and paid to the insured, insurer, or agent entitled to the funds. For purposes of this subsection, the fiduciary account of the firm shall be considered the fiduciary account of an individual agent or broker acting on behalf of the firm. Funds deposited into a fiduciary account may not be commingled or otherwise combined with other funds, except as allowed under (d) of this section.

S c. 21. AS 21.27.360 is amended by adding new subsections to read:

(d) An agent or broker may commingle with premium funds, additional funds for the purpose of advancing premiums, establishing reserves for the payment of return premiums, or reserves for receiving and transmitting premium or return premium funds. Funds collected for the payment of premium taxes, policy or filing fees, late payment charges, and interest from fiduciary funds on deposit, may be commingled in a fiduciary account, but shall be separately accounted for

1 and periodically removed from the fiduciary account.

2 (e) An agent or broker may not treat funds required to be in a
3 fiduciary account as a personal asset, as collateral for a personal or
4 business loan, or as a personal asset or income on a financial state-
5 ment, except that funds in a fiduciary account may be included in a
6 financial statement of the agent or broker if clearly identified as
7 fiduciary account assets.

8 (f) In this section, "fiduciary account" means an account in
9 which the agent or broker holds funds as a trustee for the insured,
10 insurer, or agent entitled to the funds.

11 * Sec. 22. AS 21.27.380 is repealed and reenacted to read:

12 Sec. 21.27.380. ANNUAL FEE FOR LICENSES. (a) An annual fee set
13 under AS 21.06.250 for resident and nonresident agent, solicitor, and
14 adjuster licenses is due on or before the close of business on the
15 30th day of June.

16 (b) An annual fee set under AS 21.06.250 for resident and non-
17 resident broker licenses is due on or before the close of business on
18 the 31st day of December.

19 (c) An agent or broker shall file the annual fee set under
20 AS 21.06.250 on behalf of a solicitor employed by the agent or broker.

21 (d) If payment of the annual license fee is not received by the
22 director before the due date as required under this section, the
23 licensee shall pay to the director and the director shall collect, in
24 addition to the regular fee, a surcharge as established by regulation
25 under AS 21.06.250. This subsection may not be considered to exempt a
26 person from a penalty provided by law for transacting business without
27 a valid license.

28 * Sec. 23. AS 21.27.390(a) is amended to read:

29 (a) The director may adopt regulations regarding the issuance of

agent or broker temporary license to

- (1) the surviving spouse or next of kin or to the administrator or executor of a deceased licensed agent or broker;
- (2) the spouse, next of kin, employee, or legal guardian of licensed agent or broker who is disabled because of sickness, insanity, or injury;
- (3) a surviving member, [OF A FIRM OR SURVIVING] officer, employee of a firm [CORPORATION] licensed as agent or broker, upon death of the principal or manager of the firm holding the same offices as the firm [AN INDIVIDUAL DESIGNATED IN THE FIRM OR CORPORATION'S LICENSE TO EXERCISE POWERS THEREUNDER];
- (4) the designee of a licensed agent who enters active service in the armed forces of the United States;
- (5) a person preparing for examination for permanent license under the supervision of an authorized insurer.

4. AS 21.27.410(a) is amended to read:

(a) The director may refuse to issue a license or may suspend or revoke [, OR REFUSE TO RENEW] a license issued under this chapter a surplus line broker license, or may refuse to renew a surplus broker license, for a cause specified in another [ANY OTHER] provision of this title, or for any of the following causes:

- (1) for a [ANY] cause for which issuance of the license would have been refused had it then existed and been known to the director;
- (2) if the licensee or applicant wilfully violates or wilfully participates in the violation of a provision of this title;
- (3) if the licensee or applicant has obtained or attempted to obtain the license through wilful misrepresentation or fraud, or failed to pass an [ANY] examination required under this chapter;

1 (4) if the licensee or applicant has misappropriated or
2 converted to personal use or has illegally withheld money required to
3 be held in a fiduciary capacity;

4 (5) if the licensee or applicant has, with intent to de-
5 ceive, materially misrepresented the terms or effect of an insurance
6 contract; or has engaged or is about to engage in a fraudulent trans-
7 action;

8 (6) if the licensee or applicant has been guilty of "twist-
9 ing," under AS 21.36.050, or of rebating, under AS 21.36.100;

10 (7) if the licensee or applicant has been convicted, by
11 final judgment, of a felony;

12 (8) if in the conduct of affairs under the license, the
13 licensee exhibits conduct considered by the director to reflect incom-
14 petence, untrustworthiness, or a source of injury and loss to the
15 public;

16 (9) if the licensee or applicant has dealt with, or at-
17 tempted to deal with, insurances or to exercise powers relative to
18 insurance outside the scope of the licenses of the licensee or appli-
19 cant.

20 * Sec. 25. AS 21.27.410(b) is amended to read:

21 (b) The license of a firm [OR CORPORATION] may be suspended,
22 revoked, or refused for any of the causes that [WHICH] relate to a
23 [ANY] person acting on behalf of the firm [DESIGNATED IN THE LICENSE
24 TO EXERCISE ITS POWERS].

25 * Sec. 26. AS 21.27.420 is amended to read:

26 Sec. 21.27.420. PROCEDURE FOR SUSPENDING OR [,] REVOKING [OR
27 REFUSING TO RENEW] A LICENSE. The director may suspend or [,] revoke
28 [, OR REFUSE TO RENEW] a license

29 [(1) BY ORDER GIVEN TO THE LICENSEE NOT LESS THAN 15 DAYS

1 BEFORE THE EFFECTIVE DATE OF THE LICENSE, SUBJECT TO THE RIGHT OF THE
2 LICENSEE TO HAVE A HEARING AS PROVIDED IN AS 21.06.180(b); PENDING A
3 HEARING THE LICENSE SHALL BE SUSPENDED; OR

4 (2)] by an order on hearing made as provided in AS 21.06.-
5 220 effective 10 days after the date of the giving of the order,
6 subject to the right of the licensee to appeal to the superior court
7 as provided in AS 21.06.230.

8 * Sec. 27. AS 21.27.440 is amended to read:

9 Sec. 21.27.440. CIVIL PENALTIES MAY BE IMPOSED. After hearing
10 and in addition to or in lieu of the suspension or [,] revocation of
11 [, OR REFUSAL TO RENEW] a license, the director may levy a civil
12 penalty upon the licensee not to exceed \$2,500. The order levying the
13 civil penalty must [SHALL] specify the period within which the civil
14 penalty shall be fully paid. The [, WHICH] period may not be less
15 than 15 or more than 30 days after [FROM] the date of the order. Upon
16 failure to pay the civil penalty when due, the director shall revoke
17 the licenses of the licensee if not already revoked. A [THE] civil
18 penalty collected [SHALL BE PAID] by the director shall be paid to the
19 commissioner of revenue for deposit in the general fund.

20 * Sec. 28. AS 21.27.450 is amended to read:

21 Sec. 21.27.450. FINE IN LIEU OF ACTION AGAINST THE LICENSE.
22 Upon the hearing of an appeal from an order suspending or [,] revoking
23 [, OR REFUSING TO RENEW] a license issued under this chapter, the
24 court, if it finds that the licensee is guilty of violation of the law
25 and if it considers the suspension or [,] revocation [, OR REFUSAL TO
26 RENEW THE LICENSE] too severe a penalty under the facts as found, may
27 instead impose a fine of not more than \$2,500. Payment of the fine
28 within 10 days after its imposition reinstates or restores [SHALL
29 REINSTATE, RESTORE, OR RENEW] the license.

1 * Sec. 29. AS 21.27.460(a) is amended to read:

2 (a) Each license issued under this chapter, although issued and
3 delivered to the licensee agent, broker, solicitor, or adjuster, is
4 the property of the state. Upon the [EXPIRATION,] termination, sus-
5 pension, or revocation of the license, the licensee or other person
6 having possession or custody of the license shall immediately deliver
7 it to the director either by personal delivery or by mail.

8 * Sec. 30. AS 21.34.040(c) is amended to read:

9 (c) A nonadmitted insurer may be eligible to provide coverage in
10 this state if it qualifies under one of the following:

11 (1) a foreign but nonalien insurer may qualify under this
12 subsection if it has a minimum capital and surplus equal to that
13 required in its domiciliary jurisdiction, or [,] \$1,500,000 on Septem-
14 ber 18, 1984, [AND] \$2,500,000 on June 20, 1985, [AND] \$3,500,000 [,]
15 on June 20, 1986, and \$5,000,000 on June 20, 1987, whichever is great-
16 er;

17 (2) an alien insurer may qualify under this subsection if
18 it meets the minimum capital and surplus requirements in (1) of this
19 subsection and maintains in the United States an irrevocable trust
20 fund in either a national bank or a member of the Federal Reserve
21 system. in an amount not less than \$1,500,000 [THAT REQUIRED AS MINI-
22 MUM CAPITAL AND SURPLUS IN (1) OF THIS SUBSECTION], for the protection
23 of all its policyholders in the United States; the trust fund must
24 [SHALL] consist of instruments of substantially the same character and
25 quality as those that are eligible investments for the capital and
26 statutory reserves of admitted insurers authorized to write like kinds
27 of insurance in this state or of irrevocable letters of credit; the
28 trust fund must [FUNDS SHALL] have an expiry date that at no time is
29 less than five years;

1 (3) a Lloyd's or other similar unincorporated group of
2 alien individual insurers may qualify if it maintains a trust fund of
3 not less than \$50,000,000 as security to the full amount, for all
4 policyholders and creditors in the United States, of each member of
5 the group;

6 (4) an "insurance exchange" created by the laws of indi-
7 vidual states may qualify if it maintains capital and surplus, or the
8 substantial equivalent, of not less than \$15,000,000 in the aggregate;
9 in the event the insurance exchange does not maintain funds for the
10 protection of all its policyholders, each individual syndicate shall
11 meet the minimum capital and surplus requirements of (1) of this
12 subsection.

13 * Sec. 37. AS 21.36.100 is amended to read:

14 Sec. 21.36.100. REBATES. Except as provided in (b) of this
15 section and as otherwise expressly provided by law, a person may not
16 knowingly permit or offer to make or make a contract of life insur-
17 ance, life annuity or disability insurance, or agreement under the
18 contract other than as plainly expressed in the contract issued there-
19 on, or pay, allow, give or offer to pay, allow, or give, directly or
20 indirectly, as inducement to the insurance, or annuity, a rebate of
21 premiums payable on the contract, or a special favor or advantage in
22 the dividends or other benefits, or paid employment or contract for
23 services of any kind, or any valuable consideration or inducement
24 whatever not specified in the contract; or directly or indirectly
25 give, sell, purchase or offer to agree to give, sell, purchase, or
26 allow as inducement to the insurance or annuity or in connection
27 therewith, whether or not to be specified in the policy or contract,
28 an agreement of any form or nature promising returns, profits, stocks,
29 bonds, or other securities, or interest present or contingent therein

1 or as measured thereby, of an insurance company or other corporation,
2 association, or partnership, or dividends or profits accrued or to
3 accrue thereon; or offer, promise or give anything of value which is
4 not specified in the contract.

5 * Sec. 32. AS 21.36.100 is amended by adding a new subsection to read:

6 (b) An agent or broker may rebate part or all of the commission
7 due the agent or broker, provided the rebate does not alter the amount
8 or type of insurance coverage.

9 * Sec. 33. AS 21.36.110 is amended to read:

10 Sec. 21.36.110. EXCEPTIONS TO DISCRIMINATION AND REBATES.
11 Nothing in AS 21.36.090 and 21.36.100 may be construed as including
12 within the definition of discrimination or rebates any of the follow-
13 ing practices:

14 (1) in the case of a contract of life insurance or life
15 annuity, paying bonuses to policyholders or otherwise abating their
16 premiums in whole or in part out of surplus accumulated from nonpar-
17 ticipating insurance, if the bonuses, or abatement of premiums are
18 fair and equitable to policyholders and for the best interests of the
19 insurer;

20 (2) in the case of life insurance policies issued on the
21 industrial debit, preauthorized check, bank draft, or similar plans,
22 making allowance to policyholders who have continuously for a speci-
23 fied period made premium payments directly to an office of the insurer
24 or by preauthorized check, bank draft, or similar plan, in an amount
25 that [WHICH] fairly represents the saving in collection expense;

26 (3) readjustment of the rate of premium for a group insur-
27 ance policy based on the loss or expense experience thereunder, at the
28 end of the first or a subsequent policy year of insurance thereunder,
29 that [WHICH] may be made retroactive only for that policy year;

1 (4) issuance of life or disability insurance policies or
2 annuity contracts at rates less than the usual rates of premiums for
3 the policies or contracts, or modification of premium or rate based on
4 amount of insurance; but the issuance or modification shall not result
5 in reduction in premium or rate in excess of savings in administration
6 and issuance expenses reasonably attributable to the policies or
7 contracts; or

8 (5) a rebate of the commission due an agent or broker,
9 provided that the rebate does not alter the amount or type of insur-
10 ance coverage.

11 * Sec. 34. AS 21.36.120(a) is repealed and reenacted to read:

12 (a) An agent or broker may give a rebate on property, casualty,
13 or surety insurance, provided the rebate results only in a reduction
14 of the commission due the agent or broker and does not reduce the
15 amount or type of insurance coverage.

16 * Sec. 35. AS 21.36.210(a) is amended to read:

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

20 (1) nonpayment of premium; or

21 (2) the driver's license or motor vehicle registration of
22 either the named insured or of an operator who resides in the same
23 household as the named insured or who customarily operates a motor
24 vehicle insured under the policy has been under suspension or revoca-
25 tion during the policy period or, if the policy is a renewal, during
26 its policy period or the 180 days immediately preceding its effective
27 date.

28 * Sec. 36. AS 21.36.210(d) is amended to read:

29 (d) This section does not apply to

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

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

6 * Sec. 37. AS 21.36.210(f) is amended to read:

7 (f) An [NOTWITHSTANDING (e) OF THIS SECTION, AN] insurer may not
8 exercise its right to cancel a policy of personal insurance other than
9 personal automobile insurance, except for the following reasons [THE
10 TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING CON-
11 DITIONS OR CIRCUMSTANCES ARISES]:

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

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

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

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

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

25 * Sec. 33. AS 21.36.220 is amended to read:

26 Sec. 21.36.220. NOTICE OF CANCELLATION. An insurer may not
27 exercise its right to cancel a personal insurance policy unless a
28 written notice of cancellation is mailed [OR DELIVERED] to the named
29 insured as required by AS 21.36.260 [, AT THE ADDRESS SHOWN IN THE

1 POLICY,] at least 60 [20] days before the effective date of cancella-
2 tion. However, if [, EXCEPT THAT WHEN] cancellation is for nonpayment
3 of premium, the notice shall be mailed [OR DELIVERED] to the named
4 insured as required by AS 21.36.260 [AT THE ADDRESS SHOWN IN THE
5 POLICY] at least 20 [10] days before the effective date of cancella-
6 tion. If cancellation is for a reason described in AS 21.36.210(a)(2)
7 or (f)(2) or (3), the notice shall be mailed to the named insured as
8 required by AS 21.36.260 at least 10 days before the effective date of
9 cancellation [AND SHALL INCLUDE OR BE ACCOMPANIED BY A STATEMENT OF
10 THE REASON FOR THE CANCELLATION. THIS SECTION DOES NOT APPLY TO THE
11 FAILURE TO RENEW A POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS
12 THAN 12 MONTHS].

13 * Sec. 39. AS 21.36.220 is amended by adding new subsections to read:

14 (b) An insurer may not exercise its right to cancel a policy of
15 business or commercial insurance unless a written notice of cancella-
16 tion is mailed to the named insured as required by AS 21.36.260 and to
17 the agent or broker of record at least 60 days before the effective
18 date of cancellation. However, if cancellation is for nonpayment of
19 premium, or for failure or refusal of the insured to provide the
20 information necessary to confirm exposure or necessary to determine
21 the policy premium, the notice shall be mailed to the named insured as
22 required by AS 21.36.260 and to the agent or broker of record at least
23 20 days before the effective date of cancellation. If cancellation is
24 (1) for conviction of the insured of a crime having as one of its
25 necessary elements an act increasing a hazard insured against, or (2)
26 for discovery of fraud or material misrepresentation made by the
27 insured or a representative of the insured in obtaining the insurance
28 or by the insured in pursuing a claim under the policy, the notice
29 shall be mailed to the named insured as required by AS 21.36.260 and

1 to the agent or broker of record at least 10 days before the effective
2 date of cancellation.

3 (c) If an insurer cancels a policy under this section, it shall
4 return or credit any unearned premium to the agent or broker of record
5 or directly to the insured or premium finance company, if applicable,
6 before the effective date of cancellation, except that

7 (1) an unearned premium shall be returned or credited within
8 30 days after notice of cancellation is given, if cancellation is for

9 (A) nonpayment of premium, including nonpayment of
10 additional premiums, calculated in accordance with the current
11 rating manual of the insurer, justified by a physical change in
12 the insured property, a change in its occupancy or use, or a
13 change in payroll, receipts, values, or other exposure units;

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

17 (C) discovery of fraud or material misrepresentation
18 made by the insured or a representative of the insured in obtain-
19 ing the insurance or by the insured in pursuing a claim under the
20 policy;

21 (D) failure or refusal of the insured to provide the
22 information necessary to confirm exposure or necessary to deter-
23 mine the policy premium;

24 (E) a reason described in AS 21.36.210(a)(2);

25 (2) the insurer shall perform or waive the audit before the
26 effective date of the cancellation and return or credit any estimated
27 unearned premium before the effective date of cancellation if the
28 policy is subject to audit and is canceled for a reason other than
29 those described in (1)(A) - (D) of this subsection.

1 (d) The division may require an insurer to perform an audit that
2 the insurer has elected to waive under (c) of this section.

3 (e) A notice of cancellation of insurance required to be given
4 under this section must include or be accompanied by a statement of
5 the reason for the cancellation.

6 * Sec. 40. AS 21.36 is amended by adding a new section to read:

7 Sec. 21.36.235. NOTICE OF PREMIUM OR COVERAGE CHANGES UPON
8 RENEWAL. (a) Except as provided in AS 21.36.420, if the renewal
9 premium is increased more than 10 percent for a reason other than an
10 increase in coverage or exposure base, or if after renewal there will
11 be a material restriction or reduction in coverage not specifically
12 requested by the insured, written notice shall be mailed to the
13 insured and to the agent or broker of record as required by AS 21.36.-
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15 (1) at least 20 days before expiration of a personal insur-
16 ance policy;

17 (2) at least 45 days before expiration of a business or
18 commercial policy; or

19 (3) by the anniversary date of the year before expiration
20 of a policy written for a term longer than one year or without a fixed
21 expiration date.

22 (b) If notice before expiration of the policy is not given as
23 required by (a) of this section, the existing policy shall continue
24 until the insurer provides notice for the time period required by (a)
25 of this section for that policy.

26 (c) This section does not apply to workers' compensation insur-
27 ance.

28 * Sec. 41. AS 21.36.240 is amended to read:

29 Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to

1 renew a personal insurance policy in force for less than 12 months.
2 An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR
3 MORE] unless a written notice of nonrenewal is mailed [OR DELIVERED]
4 to the named insured as required by AS 21.36.250 [1, AT THE ADDRESS
5 SHOWN IN THE POLICY,] at least 20 days for a personal insurance
6 policy, and at least 45 days for a business or commercial insurance
7 policy, before the expiration date of the policy [.] or of the anni-
8 versary date of a policy written for a term longer than one year or
9 with no fixed expiration date. If notice of nonrenewal is not given
10 as required by this section, the existing policy shall continue until
11 the insurer provides notice for the time period required by this
12 section for that policy. This section does not apply

13 (1) if the insurer has in good faith manifested [IN ANY
14 WAY] its willingness to renew;

15 (2) in case of nonpayment of premium for the expiring
16 policy; or

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

19 * Sec. 42. AS 21.36.250 is amended to read:

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

29 * Sec. 43. AS 21.36 is amended by adding a new section to read:

1 Sec. 21.36.255. PREMIUM REFUND. (a) If an insurance policy is
2 cancelled, rejected, or rescinded by the

3 (1) insurer, the insurer shall refund the unearned premium
4 paid to the insured or premium finance company; or

5 (2) insured, the insurer shall return any unearned premium
6 paid to the insured or premium finance company, less a cancellation
7 fee not to exceed five percent of the unearned premium or \$1,000,
8 whichever is less; a cancellation fee may not be charged unless the
9 fee is clearly stated in the policy.

10 (b) Notwithstanding (a) of this section, if the insurer clearly
11 indicates one or more of the following features in the policy, an
12 insurer may issue a policy

13 (1) whose premium is earned at a varying rate due to sea-
14 sonality of exposure;

15 (2) that contains a minimum earned premium; or

16 (3) with a fluctuating premium base.

17 * Sec. 44. AS 21.36.260 is repealed and reenacted to read:

18 Sec. 21.36.260. PROOF AND METHOD OF MAILING NOTICE. If a notice
19 is required from an insurer under this chapter, the insurer shall

20 (1) mail the notice by first class mail to the last known
21 address of the insured; and

22 (2) obtain a certificate of mailing from the U.S. Postal
23 Service.

24 * Sec. 45. AS 21.36.310 is amended to read:

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

26 (1) "business or commercial insurance" means insurance
27 other than personal insurance, reinsurance, life insurance, disability
28 insurance, fidelity and surety insurance, title insurance, wet marine
29 and transportation insurance as defined in AS 21.34.900, or an annuity

1 contract;

2 (2) "nonpayment of premium" means failure of the named
3 insured to discharge when due any obligations of the named insured in
4 connection with the payment of premium on a policy, or any installment
5 of the premium, whether the premium is payable directly to the insurer
6 or its agent or indirectly under any premium finance plan or extension
7 of credit;

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

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

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

25 (4) "personal insurance"

26 (A) means personal automobile insurance, or insurance
27 covering

28 (i) loss of or damage to real property that is
29 used predominantly for residential purposes and that does

1 not consist of more than four dwelling units;

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

5 or

6 (iii) legal liability of natural persons for loss
7 of, damage to, or injury to persons or property if the in-
8 surance does not cover liability arising from or in con-
9 nection with business or commercial activities;

10 (B) does not include an annuity contract or a policy
11 of life insurance, disability insurance, or title insurance;

12 (5) [(3)] "renewal" or "renew" means

13 (A) the issuance and delivery [BY AN INSURER] of an
14 insurance [A] policy [REPLACING] at the end of the policy period,
15 that replaces a policy previously issued and delivered by the
16 same insurer; [,]

17 (B) the issuance and delivery of a certificate or
18 notice extending the term of a policy beyond its policy period or
19 term; [,] or

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

23 * Sec. 46. AS 21.66.310 is repealed and reenacted to read:

24 Sec. 21.66.310. REBATES. A title insurer, or agent or solicitor
25 of a title insurer may rebate to the insured a portion of the cost of
26 the insurance, provided the rebate consists of a reduction in the
27 commission received by the title insurer, agent, or solicitor, and
28 does not result in a reduction in the amount or type of insurance
29 coverage.

1 * Sec. 47. AS 21.34.430(c) is amended to read:

2 (c) The director may refuse to issue or may suspend or revoke
3 [RENEW] an insurance agent's license if, in the judgment of the direc-
4 tor, the proposed licensee is not trustworthy and competent to act as
5 agent, or has given cause for revocation or suspension of the license,
6 or has failed to comply with a prerequisite for the issuance [OR
7 RENEWAL, AS THE CASE MAY BE,] of the license.

8 * Sec. 48. AS 21.84.430(b) is repealed and reenacted to read:

9 (b) A society, or an agent or solicitor representing a society
10 may rebate the premium or part of the premium, provided the rebate
11 consists of a reduction in the commission charged by the society,
12 agent, or solicitor and does not result in a reduction in the amount
13 or type of insurance coverage.

14 * Sec. 49. AS 21.88.050 is amended to read:

15 Sec. 21.88.050. POWERS AND DUTIES OF THE CORPORATION. (a) The
16 corporation shall

17 (1) in the form approved by the director, issue to all
18 physicians, nurses, and hospitals who are found to be acceptable risks
19 under standards developed under (5) of this subsection, and who pay
20 the premiums for it, a contract or contracts indemnifying physicians,
21 nurses, and hospitals and their employees who are health care provid-
22 ers against loss by reason of liability for covered claims for an act
23 or omission in the delivery of professional health care in this state,
24 and agreeing to tender on behalf of the physicians, nurses, and hos-
25 pitals and their employees who are health care providers a defense to
26 a covered claim in a proceeding brought under AS 09.55.530 - 09.55.-
27 560; the limits of liability for policies issued by the corporation
28 shall be approved by the director; the contract shall cover the de-
29 fense against but need not indemnify liability for punitive damages

1 arising from a covered claim; at the option of the corporation, if
2 approved by the director, and for an additional premium the contract
3 may cover claims against the physician, nurse, or hospital that arise
4 out of professional services performed by the physician, nurse, or
5 hospital for any period before the contract is issued, except that
6 coverage will not be provided for a claim already filed or that [OF
7 WHICH] the physician, nurse, or hospital had or reasonably should have
8 had notice at the time the retroactive insurance was purchased;

9 (2) charge a premium for the protection provided by the
10 contracts issued by the corporation which shall be determined by the
11 board of governors in accordance with AS 21.88.080 and subject to the
12 approval of the director;

13 (3) comply with or be subject to AS 21.06.090, 21.06.120,
14 21.06.140, 21.06.160, 21.06.250, AS 21.09.180 - 21.09.200, 21.09.250,
15 21.09.280, AS 21.12.020(b)-(e), AS 21.13, AS 21.21, AS 21.24 and
16 AS 21.36; and shall be exempt from participation as a member insurer
17 in the Alaska Insurance Guaranty Corporation;

18 (4) carry out the obligations of the contracts issued by
19 the corporation by defending all covered claims made against insured
20 health care providers and by paying all liabilities that [WHICH] are
21 finally adjudicated against the insured health care provider or that
22 [WHICH] may in the opinion of the corporation reasonably be expected
23 to be finally adjudicated against the health care provider to the
24 extent of the contract obligation;

25 (5) establish standards for the acceptability of risks; in
26 establishing these standards the corporation may exclude an applicant
27 from insurance based on individual risk selection factors, but may not
28 include an applicant based only on the classification of the appli-
29 cant.

1 (b) The corporation may

2 (1) employ or retain persons, individual or corporate, to
3 discharge its obligations and pay reasonable compensation for these
4 services; employees of the corporation are not considered state em-
5 ployees;

6 (2) negotiate for and procure reinsurance from private
7 casualty insurers or reinsurers for any and all liability incurred by
8 contracts issued by it;

9 (3) provide coverage to insureds for other hazards custom-
10 arily included in medical malpractice insurance policies when there is
11 a finding by the director that this coverage is not available to
12 insureds of the Medical Indemnity Corporation of Alaska in the private
13 insurance market at a competitive price;

14 (4) borrow or advance funds necessary to carry out the
15 purposes of the corporation;

16 (5) negotiate and become a party to those contracts as are
17 necessary to carry out the purposes of the corporation;

18 (6) sue or be sued in the name of the corporation;

19 (7) provide risk management advice and services to hospi-
20 tals;

21 (8) negotiate and become a party to contracts for manage-
22 ment services for the corporation;

23 (9) perform all other acts necessary and proper to carry
24 out the duties of the corporation;

25 (10) in a form approved by the director and for an addition-
26 al premium determined under AS 21.88.080, issue endorsements which
27 provide indemnity for claims not yet reported which arise out of
28 professional services rendered during a period of continuous coverage
29 under the originally issued contract, to physicians, nurses, and

1 hospitals who pay the premium for it and who are terminating their
2 original covered claims contract with the corporation for a period of
3 not less than one year;

4 (11) subject to approval by the director, extend coverage
5 to a person, entity, or facility that renders health care services in
6 the state under the supervision of a physician.

7 * Sec. 50. AS 21.90.900 is amended to read:

8 Sec. 21.90.900. DEFINITIONS FOR TITLE. In this title, unless
9 the context requires otherwise,

10 (1) "adjuster" means a person who, for compensation as an
11 independent contractor or as an employee of an independent contractor,
12 or for fee or commission, investigates and adjusts claims arising
13 under insurance contracts on behalf of the insurer, but does not
14 include an attorney at law who adjusts insurance losses from time to
15 time incidental to the practice of law or a salaried employee of an
16 insurer;

17 (2) "agent" means a person appointed by an insurer to
18 solicit applications for insurance or annuities on its behalf, and if
19 authorized to do so, to effectuate and countersign insurance con-
20 tracts, except life or disability insurance or annuities, and to
21 collect premiums on insurance or annuities;

22 (3) "alien insurer" means an insurer formed under the laws
23 of a country other than the United States of America, its states,
24 districts, territories, and commonwealths;

25 (4) [(2)] "authorized insurer" means an insurer authorized
26 by a [SUBSISTING] certificate of authority issued by the director to
27 transact insurance in this state;

28 (5) "broker" means a person who is not an agent of the
29 insurer and who, on behalf of the insured, for compensation as an

1 independent contractor by commission or fee, solicits, negotiates, or
2 procures insurance or reinsurance or the renewal or continuance of
3 insurance or reinsurance; or in any manner aids in the solicitation,
4 negotiation, procurement, renewal, or continuance of insurance or
5 reinsurance, for insureds or prospective insureds not including the
6 broker;

7 (5) [(3)] "commissioner" means the commissioner of the
8 Department of Commerce and Economic Development;

9 (7) [(4)] "court" means superior court;

10 (8) [(5)] "director" means the director of the division of
11 insurance;

12 (9) [(6)] "division" means the division of insurance,
13 Department of Commerce and Economic Development;

14 (10) [(7)] "domestic insurer" means an insurer formed under
15 the laws of this state;

16 (11) "firm" means an organization of two or more licensees
17 acting in association with each other, either in a partnership, corpo-
18 ration, or otherwise, or an organization in which a single licensee
19 has less than 50 percent ownership interest in the organization;

20 (12) [(8)] "foreign insurer" means an insurer formed under
21 the laws of a jurisdiction other than this state and includes an alien
22 insurer;

23 (13) "independent adjuster" means an adjuster representing
24 the interests of the insurer;

25 (14) [(9)] "industrial life insurance" means that form of
26 life insurance written under policies with a face amount of \$1,000 or
27 less, with the words "industrial policy" imprinted on the face as part
28 of the descriptive matter, and under which premiums are payable month-
29 ly or more often;

1 (15) [(10)] "insurance" means a contract whereby one under-
2 takes to indemnify another or pay or provide a specified or determin-
3 able amount or benefit upon determinable contingencies;

4 (16) [(11)] "insurer" includes a person engaged as indemni-
5 tor, surety, or contractor in the business of entering into contracts
6 of insurance or of annuity;

7 (17) [(12)] "person" has the meaning given in AS 01.10.060
8 and includes an insurer, Lloyd's, fraternal benefit society, medical
9 service or hospital service plan as defined in AS 21.97, reciprocal or
10 interinsurance exchange, syndicate, and any other legal entity engaged
11 in the business of transacting insurance, including agents, brokers,
12 and claims adjusters;

13 (18) [(13)] "policy" means the written contract of or writ-
14 ten agreement for or effecting insurance, by whatever name called, and
15 includes all clauses, riders, endorsements and papers attached to it
16 and a part of it;

17 (19) [(14)] "premium" means the consideration for insurance,
18 by whatever name called, and by whatever method paid or collected,
19 including an assessment, or membership, policy, survey, inspection,
20 service or similar fee or charge made in consideration for an insur-
21 ance contract;

22 (20) "solicitor" means an individual authorized by an agent
23 or broker to solicit applications for insurance as a representative of
24 the agent or broker and to collect premiums in connection with the
25 insurance;

26 (21) [(15)] "state" means a state, District of Columbia,
27 territory, commonwealth, or possession of the United States of
28 America;

29 (22) [(16)] "transact" with respect to insurance includes

- 1 (A) solicitation and inducement;
2 (B) preliminary negotiations;
3 (C) effectuation of a contract of insurance;
4 (D) transaction of matters subsequent to effectuation
5 of the contract of insurance and arising out of it;

6 (23) [(17)] "unauthorized insurer" means an insurer not
7 authorized to transact insurance in this state.

8 * Sec. 51. AS 21.90 is amended by adding a new section to read:

9 Sec. 21.90.910. EXCEPTIONS FROM DEFINITIONS. The definitions of
10 "adjuster," "agent," "broker," "firm," and "solicitor" in AS 21.90.900
11 do not include

12 (1) individuals employed and used by agents for the perfor-
13 mance of clerical, stenographic, and similar office duties; incidental
14 taking of an application for insurance from time to time in the office
15 of the employing agent if the employee's compensation is not contin-
16 gent upon or related to the volume of applications, insurance, or
17 premiums;

18 (2) the attorney-in-fact of a reciprocal insurer, or the
19 salaried traveling representative of a reciprocal or mutual insurer
20 not compensated on a commission basis.

21 * Sec. 52. AS 21.03.030, 21.03.040, 21.03.050; AS 21.06.040; AS 21.09.-
22 210(c); AS 21.27.040(b), 21.27.470, 21.27.480, 21.27.490, 21.27.500, 21.-
23 27.510, 21.27.520; AS 21.36.120(b), 21.36.210(c), 21.36.210(e), 21.36.230,
24 and 21.36.300 are repealed.

25 * Sec. 53. Sections 1 - 29 and 31 - 52 of this Act apply to insurance
26 policies entered into or renewed on or after the effective date of secs.
27 1 - 29 and 31 - 52 of this Act.

28 * Sec. 54. Section 30 of this Act takes effect immediately under
29 AS 01.10.070(c).

M E M O R A N D U M

TO: Members of the House Rules Subcommittee on HB 46

FROM: Shari Kochman

DATE: April 28, 1987

RE: Issues to address in the subcommittee

You requested that I capsulize those areas of HB 46 that need further consideration in the Rules Committee.

The House Judiciary Committee left two topics to be addressed in Rules: the title of the bill and the treatment of broker rebates.

TITLE: We have at least two options on the title, other than leaving it as it now reads, "An Act relating to insurance," which is obviously quite open to making this tome even more of a tome.

We could simply add the word "regulation" at the end of the present title, which would tighten it somewhat and still leave us a simple title.

The alternative is to list all the topics addressed in the bill (some 14) in the title. The attached proposed title from Legal attempts to do that.

BROKER REBATES: HB 46 was amended in House Judiciary permitting brokers to offer rebates to their clients. This in effect opens up competition through negotiable commissions. The problem not addressed in Judiciary is that the rebate could be abused by brokers in certain lines of insurance -- specifically life, annuity, disability and title insurance. The intent was to exempt those lines from the rebate provision.

The Division of Insurance has proposed language to accomplish this beginning after page 26 of the section by section commentary on the bill.

Note that the Division has also offered two alternative amendments.

Alternative #2 would delete the rebate provision, thereby maintaining present law. The Division supports this option.

Alternative #3 would maintain the rebate provision but limit it to policies with a premium in excess of \$50,000.

CSHB 46 (Rules) is amended as follows:

- (1) p 31, lines 1 and 2
delete AS 21.09.210(c)
- (2) p 1, lines 9 through 12 insert the following:

Section I. AS 21.09.210(c) is amended to read:

Section 21.09.210(c). A domestic company which has filed with the division by July 1, 1987 for approval to organize is exempt from taxation under this section, until ~~July 1~~, June 30 1989. AS 21.09.210(c) is repealed effective July 1, 1989.

- (3) Renumber subsequent sections accordingly.

for a period
of no more
than five
years from the
date of its
organization or

JOHN SUND, REPRESENTATIVE

2504 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-4919

TO: House Judiciary Committee members
FROM: Rep. John Sund
DATE: April 22, 1987
RE: HB 46 subcommittee report and proposed amendments

On April 16, the subcommittee adopted three more amendments to HB 46 which are included in the 4/17 work draft. These amendments are explained below.

Note the amendments passed earlier as indicated in your memo dated April 15. However, that memo was working off of the 4/15 work draft, so the page and line references are incorrect. Following are the line references working off of the 4/17 draft:

Amendment #1: Page 1, Lines 9-12;
Amendment #2A: Page 22, Lines 18-22;
Amendment #4: Page 20, Lines 19-29; Page 21, Lines 1-11;
Note: This was re-amended at the 4/16 meeting and is cited below
Amendment #5: Page 19, Lines 3-12 and 20-28; Page 20, Line 27; Page 21, Line 17; Page 23, Lines 2-7.

The following are the most recent amendments made on 4/16:

- 1) Section 38 - Page 20 was amended by offering more strict parameters in which a notice of policy changes is required prior to renewal. The bill now requires that a 20 or 45 day notice (depending on the type of insurance) is necessary only if the premium will increase more than 10 percent upon renewal or if coverage will reduce and was not specifically requested by the insured.
- 2) Section 39 - Page 21, Lines 22-25 provides that an insured must have 20 or 45 days notice (depending on the type of insurance) of nonrenewal, regardless of whether the nonrenewal notice was sent less than 20 or 45 days from the cancellation date.

- 3) Section 37 - Page 20, Line 1 was rewritten so that the return of unearned premium requirements pertain to personal lines as well as commercial lines.

OTHER AMENDMENTS/ISSUES TO ADDRESS:

The committee has before it today six amendments, one offered by the sponsor of the bill, another offered by the chair, one offered by Rep. Taylor and three offered by insurers. Note that the amendment offered by the chair is a rewriting of an amendment offered earlier by Alaska National Insurance Co. All of these amendments are attached.

The other issue before the committee is whether we want to amend the title of the bill. Now it is very broad and could be subject to more items as it moves through the Senate.

Finally, also attached to this memo is a chart showing the various time references in the bill.

A M E N D M E N T #1

4/22

Offered in the HOUSE

By Navarre

TO: CSHB 46(Jud)

Adopted

Page 17, line 26, through page 18, line 28:

Delete all material

Renumber the following bill sections accordingly.

Page 19, line 23:

Delete "a reason described in AS 21.36.215(a)(7)"

Insert "failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium"

Page 19, lines 26 - 27:

Delete "a reason described in AS 21.36.215(a)(2) or (3)"

Insert "(1) conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against, or (2) for 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"

Page 20, lines 5 - 8:

Delete all material and insert:

"(1) an unearned premium shall be returned or credited

within 30 days after notice of cancellation is given, if cancellation is for

(A) nonpayment of premium, 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, a change in its occupancy or use, or a change in payroll, receipts, values, or other exposure units;

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

(C) 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;

(D) failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium;

(E) a reason described in AS 21.36.210(a)(2);"

Page 20, lines 9 - 10:

Delete "if the policy is canceled for other than nonpayment of premium and is subject to audit,"

Page 20, line 13, after "cancellation":

Insert "if the policy is subject to audit and is canceled for a reason described in (1)(A) - (D) of this subsection"

Page 31, line 24:

Delete "48"

Insert "47"

Page 31, line 26:

Delete "48"

Insert "47"

AMENDMENT TO AMENDMENT ~~#1~~ ^{adopted} (4/22)

By Navarre

Offered in the HOUSE

TO: CSHB 46 (Jud)

Page 2 of amendment, rewrite amendment to Page 20, line 13 to read:

after "cancellation":

Insert "if the policy is subject to audit and is canceled
for a reason other than those described in (1)(A) - (D) of this subsection"

AMENDMENT #2

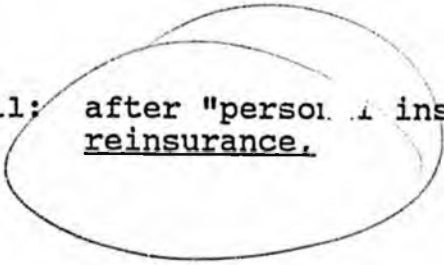
By Sund

CS HB 46 (Judiciary)

Offered: April 22, 1987

A handwritten signature in cursive script, appearing to read "Sund", is written in the upper right quadrant of the page.

Page 23, Line 11: after "personal insurance," insert
reinsurance.

A hand-drawn oval encircles the text "after 'personal insurance,' insert reinsurance." in the amendment description.

A M E N D M E N T #3

Offered in the HOUSE

TO: CSHB 46(Jud)

By Taylor

Page 16, after line 16:

Insert new bill sections to read:

"* Sec. 32. AS 21.36.100 is amended to read:

Sec. 21.35.100. REBATES. Except as provided in (b) of this section and as otherwise expressly provided by law, a person may not knowingly permit or offer to make or make a contract of life insurance, life annuity or disability insurance, or agreement under the contract other than as plainly expressed in the contract issued thereon, or pay, allow, give or offer to pay, allow, or give, directly or indirectly, as inducement to the insurance, or annuity, a rebate of premiums payable on the contract, or a special favor or advantage in the dividends or other benefits, or paid employment or contract for services of any kind, or any valuable consideration or inducement whatever not specified in the contract; or directly or indirectly give, sell, purchase or offer to agree to give, sell, purchase, or allow as inducement to the insurance or annuity or in connection therewith, whether or not to be specified in the policy or contract, an agreement of any form or nature promising returns, profits, stocks, bonds, or other securities, or interest present or contingent therein or as measured thereby, of an insurance company or other corporation, association, or partnership, or dividends or profits accrued or to

accrue thereon; or offer, promise or give anything of value which is not specified in the contract.

* Sec. 33. AS 21.36.100 is amended by adding a new subsection to read:

(b) An agent or broker may rebate part or all of the commission due the agent or broker, provided the rebate does not alter the amount or type of insurance coverage.

* Sec. 34. AS 21.36.110 is amended to read:

Sec. 21.36.110. EXCEPTIONS TO DISCRIMINATION AND REBATES. Nothing in AS 21.36.090 and 21.36.100 may be construed as including within the definition of discrimination or rebates any of the following practices:

(1) in the case of a contract of life insurance or life annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from nonparticipating insurance, if the bonuses, or abatement of premiums are fair and equitable to policyholders and for the best interests of the insurer;

(2) in the case of life insurance policies issued on the industrial debit, preauthorized check, bank draft, or similar plans, making allowance to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer or by preauthorized check, bank draft, or similar plan, in an amount that [WHICH] fairly represents the saving in collection expense;

(3) readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder, at the end of the first or a subsequent policy year of insurance thereunder,

that [WHICH] may be made retroactive only for that policy year;

(4) issuance of life or disability insurance policies or annuity contracts at rates less than the usual rates of premiums for the policies or contracts, or modification of premium or rate based on amount of insurance; but the issuance or modification shall not result in reduction in premium or rate in excess of savings in administration and issuance expenses reasonably attributable to the policies or contracts; or

(5) a rebate of the commission due an agent or broker, provided that the rebate does not alter the amount or type of insurance coverage.

* Sec. 35. AS 21.36.120(a) is repealed and reenacted to read:

(a) An agent or broker may give a rebate on property, casualty, or surety insurance, provided the rebate results only in a reduction of the commission due the agent or broker and does not reduce the amount or type of insurance coverage."

Renumber remaining bill sections accordingly.

Page 25, after line 6:

Insert a new bill section to read:

** Sec. 48. AS 21.66.310 is repealed and reenacted to read:

Sec. 21.66.310. REBATES. A title insurer, or agent or solicitor of a title insurer may rebate to the insured a portion of the cost of the insurance, provided the rebate consists of a reduction in the commission received by the title insurer, agent, or solicitor, and

does not result in a reduction in the amount or type of insurance coverage."

Renumber following bill section accordingly.

Page 25, after line 13:

Insert a new bill section to read:

"* Sec. 50. AS 21.84.480(b) is repealed and reenacted to read:

(b) A society, or an agent or solicitor representing a society may rebate the premium or part of the premium, provided the rebate consists of a reduction in the commission charged by the society, agent, or solicitor and does not result in a reduction in the amount or type of insurance coverage."

Renumber remaining bill sections accordingly.

Page 31, line 23, after "AS":

Insert "21.36.120(b),"

Page 31, line 24:

Delete "48"

Insert "54"

Page 31, line 26:

Delete "48"

Insert "54"

Time Periods in Bill

10 days	Notice of cancellation by insurer due to insured's license suspension or revocation, conviction of a crime or fraud or misrepresentation. Page 19, Lines 12 and 29.		
20 days	Notice of cancellation by insurer due to nonpayment of premium or withholding of information needed to determine premium. Page 19, Line 25.	Notice of policy or coverage change upon renewal of a personal line of insurance. Page 19, Line 25.	Notice of nonrenewal of personal line of insurance Page 21, Line 18.
30 days	Return of unearned premium after cancellation if cancellation is due to nonpayment of premium, license suspension or revocation, conviction of a crime, fraud or misrepresentation or withholding of information. Page 20, Line 7.	→ Note: This is dependent upon passage of Amendment #1 offered 4/22.	
45 days	Notice of policy or coverage change upon renewal of a commercial or business insurance policy. Page 21, Line 1.	Notice of nonrenewal of a commercial or business insurance policy. Page 21, Line 19.	
60 days	Permissible period for cancellation of personal auto policy -- if less than 60 days old. Page 17, Line 4.	Notice of cancellation by insurer. Note exceptions under 10 days and 20 days. Page 19, Lines 5 and 21.	

AMENDMENT

4

Narrow
By ~~James Shine~~

OFFERED IN THE HOUSE

TO: CS FOR HOUSE BILL NO. 46 (Judiciary)

Page 1, Section 1 is amended to read as follows:

"*Section 1. AS 21.09.210(c) is amended to read:

(c) A domestic company organized before January 1, 1987, is exempt from taxation under this section for a period of five years from the date of its organization."

Adopted

MEMORANDUM

TO: Representatives John Sund and Mike Navarre
FROM: Thomas J. Slagle, American Insurance Association
RE: HB46
DATE: April 21, 1987

I have been asked to express some continuing concerns to the House Judiciary Committee from the American Insurance Association regarding recent changes in HB46.

Under § 39 "Failure to Renew", the addition of the "rolling" provision will benefit both the consumer and insurer. The AIA would still like to have the provision: "earned premium for any period of coverage that extends beyond the expiration date shall be considered prorata based upon the previous year's rate." (Insert page 21, line 26 after policy.) As a matter of principle, the AIA does not want to provide coverage without any premium return. From a practical viewpoint, the collection of the prorata premium will be rare, either because the non-renewal notice has been sent timely, or the difficulty in collecting a relatively small premium, but the AIA would prefer to see the proration language in the Bill.

We also have a concern regarding § 37, § (C)(2) regarding return of premium on an auditable policy. As written, the Bill requires that the audit be performed or waived before the effective date of cancellation. The AIA suggests that the insurer be given up to 30 days post cancellation to perform the audit, and 30 days post cancellation to return the unearned premium. (Refer to page 20, lines 9 through 13.)*

Thank you for your consideration of the above concerns.

* All references refer to the 4/17/87 work draft.

cc: Don Koch, Division of Insurance

TJS#2:mb:25

Amadmar
#5

Amadmar
#6

TESTIMONY OF CARL L. ANDERSON, EXECUTIVE VICE PRESIDENT
ALASKA NATIONAL INSURANCE COMPANY

I represent Alaska National Insurance Company which is the largest writer of commercial insurance in Alaska. We did not attain that status in our 6 1/2 years in business by abusing the public or engaging in practices that Section 35 of House Bill 46 is attempting to change. We have done our best to serve the insurance needs of the Alaska business community. We have acted responsibly in the past and will continue to act responsibly in the future because we want to remain in Alaska and have no desire to operate our business elsewhere.

In fairness to our policyholders and our stockholders, we cannot turn over our underwriting responsibility to the Division of Insurance. If it is our firm belief that continuation of a particular insurance policy would adversely affect the well-being of our company, and therefore affect the remainder of our policyholders, we must have the right to cancel that policy. If the insured disagrees with our action or our reasoning, he or she can appeal to the Division of Insurance. We can negotiate at that time if there is a circumstance we overlooked.

We have no disagreement with a 60 day notification period for cancellation with a 10 day notice for reasons appearing in Section 21.36.215(C) Subparagraphs (2) through (4) and 20 days for nonpayment of premium or nonreporting as required by the policy.

Alaska law presently requires 20 days notice of cancellation for nonpayment of workers compensation so this provision only extends the requirement to other lines.

We are not in the business of cancelling insurance policies. We can only prosper by earning the premium for the full term of the policy. We do not take a cancellation lightly but when we feel it is necessary, it must be our business decision. The law as presently written and the business climate adequately provide a remedy if we act irresponsibly.

We are offering an amendment to Sections 35 and 37 with a minor modification of Sections 36 and 40. This amendment adequately protects the commercial insurance consumer. It provides for sufficient advance notice of cancellation or nonrenewal and reasonable requirements on return of unearned premium. It strengthens the Division of Insurance's control of cancellations and nonrenewals but it leaves business decisions where business decisions should be made.

I have addressed these changes only as they affect my company. They also affect the Division of Insurance:

1. Division personnel are not trained underwriters and are not in a position to make underwriting decisions. This amendment releases them of the responsibility to make underwriting decisions.

2. All correspondence with the Division of Insurance becomes public record information. There are times when I and my insured (who may be your constituent) and the Division of Insurance would not want my underwriting decision to be public record.
3. The amendment reduces the paper flow at the Division of Insurance. This helps all of us.

This amendment also affects other insurance companies:

1. The nonadmitted market would either ignore the present reasons for cancellation (which would subject the admitted market to unfair competition) or they would curtail their writings which would adversely affect the Alaska policyholders and place substantial financial pressures on the admitted market for which the admitted market is not prepared.
2. Markets that are admitted in Alaska but not writing business at this time will continue to be non-participants in the Alaska insurance market.
3. Admitted markets presently writing in Alaska could substantially curtail their writings and go elsewhere. Alaska National has nowhere else to go.
4. Some admitted markets may choose to ignore the statutory requirements for commercial cancellation. Enforcement would be cumbersome and would probably further eliminate admitted carriers that specialize in tough classes.

I would also like to address Section 21.36.255 Premium Refund. Yesterday Alaska National introduced a substitute wording for subparagraph (a) of this section. The subcommittee voted to use their own substitute wording. We ask that our wording be reconsidered.

1. It would correct the problem with short rate penalties on workers compensation insurance.
2. It would leave untouched the standard program that has been in effect for many years for other lines. A program that:
 - a) is used in 49 other states;
 - b) has not been a subject of insurance consumer complaints;
 - c) has not been a source of enrichment to insurance companies;
 - d) and has provided stability in the insurance marketplace.

It is not broken so it should not be fixed.

Page 17, starting at line ~~20~~ ²⁷

Rewrite Section ~~20~~ ³⁵ to read

Sec. 21.36.215. CANCELLATION OF BUSINESS OR COMMERCIAL INSURANCE POLICIES. (a) An insurer may exercise its right to cancel a policy of business or commercial insurance for:

(1) nonpayment of premium, or failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium, provided at least 20 days notice is given in accordance with AS 21.36.260;

(2) conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against, provided at least 10 days notice is given in accordance with AS 21.36.260;

(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, provided at least 10 days notice is given in accordance with AS 21.36.260;

(4) discovery of a grossly negligent act or omission by the insured that substantially increases the hazards insured against, provided at least 10 days notice is given in accordance with AS 21.36.260; or,

(5) for a reason not stated in (1)-(4) of this subsection, provided at least 60 days notice is given in accordance with AS 21.36.260.

(b) An insurer that exercises its right to cancel a policy of business or commercial insurance must mail or deliver a written notice of cancellation to the named insured and to the agent or broker of record in accordance with AS 21.36.260.

(c) If an insurer cancels a policy under (a) of this section, it shall return any unearned premium to the agent or broker of record or directly to the insured or premium finance company, if applicable, before the effective date of cancellation, except that if cancellation is for reasons stated in (a)(1)-(a)(4) of this section, any unearned premium shall be returned or credited within 30 days after the effective date of cancellation.

(d) The division may require an insurer to perform an audit that the insurer has elected to waive.

(e) A notice of cancellation of insurance required to be given under this section must include or be accompanied by a statement of the reason for the cancellation.

Amendment #3

Page ~~27~~, Line ~~27~~

Retitle Sec. 21.36.220 to read:

[NOTICE OF] CANCELLATION OF PERSONAL INSURANCE POLICIES.

Page 19, starting at line ~~18~~ ¹⁸

Rewrite Section ~~36~~ ³⁷ to read

(b) An insurer that exercises its right to cancel a policy of personal insurance must mail or deliver a written notice of cancellation to the named insured and to the agent or broker of record in accordance with AS 21.36.260.

(c) If an insurer cancels a policy under (a) of this section, it shall return any unearned premium to the agent or broker of record or directly to the insured or premium finance company, if applicable, before the effective date of cancellation, except that if cancellation is for reasons stated in AS 21.36.210(a)(2) or (f)(2) or (3), any unearned premium shall be returned or credited within 30 days after the effective date of cancellation.

(d) A notice of cancellation of insurance required to be given under this section must include or be accompanied by a statement of the reason for the cancellation.

Amendment #4
23
Page 21, Line ~~27~~

Following the word "by" insert, "AS 21.36.215"

No suggested changes for Secs. ~~32~~ ³², ~~33~~ ³³, ~~34~~ ³⁴, ~~38~~ ³⁸, ~~39~~ ³⁹ ~~42~~ ⁴² or ~~43~~ ⁴³.

CS for HB 46 (Judiciary)
4/15 draft

EXPLANATION OF AMENDMENT #2 (proposed by Alaska National
Insurance Co.)

Prepared by Rep. John Sund's office April 16, 1987.

This amendment refers to cancellation of business or commercial insurance and changes section 35 of the bill to include areas that are presently in other sections of the bill. Specifically, the amendment:

- 1) Specifies the following reasons for cancellation:
 - a) nonpayment of premium;
 - b) failure of insured to provide information needed to determine policy premium;
 - c) conviction of the insured in a crime that increases the hazard;
 - d) fraud or misrepresentation by insured;
 - e) grossly negligent act by insured;
- 2) Opens up cancellation for any other reason to the discretion of the insurer provided 60 days notice is given. This deletes (b) on page 18, line 22, which requires the division's approval of cancellation for other reasons.

Note also that the above reasons for cancellation were already in the bill, but reasons 5 and 6 on page 18 of the bill -- physical changes in the insured property and physical changes in the operations.

- 3) Changes the time requirements for cancellation notice. Discovery of a grossly negligent act that increases the hazard of the insured requires a 60 day notice of cancellation in the present bill. This amendment changes that to 10 days.

Note that the amendment puts all cancellation periods in section 35, but in the present bill the periods are in section 37.

- 4) Changes the requirement now in the bill for insurers cancelling a policy for any reason other than nonpayment of premium to return unearned premium before the effective date of cancellation. The amendment states that for the reasons cited above, the insurer must return unearned premium within 30 days after the cancellation date. For other reasons, it must be returned before the cancellation date. Note that this actually shortens the requirement for nonpayment of premium. The bill now states 45 days after the cancellation date and the amendment changes that to 30 days.

CS for HB 46 (Judiciary)
4/15 draft

EXPLANATION OF AMENDMENT #3

(proposed by Alaska National
Insurance Co.)

Prepared by Rep. John Sund's office April 16, 1987.

This amendment refers to cancellation of personal insurance policies and changes section 37 of the bill. Specifically, the amendment:

1) Changes the requirement now in the bill for insurers cancelling a policy for any reason other than nonpayment of premium to return the unearned premium before the cancellation date. The amendment states that if the reason for cancellation is for driver's license suspension or revocation, conviction of a crime or fraud or misrepresentation, the insurer has until 30 days after cancellation to return premium. Note: The way this amendment is written it deletes the 45 day after cancellation for return of unearned premium if cancellation is due to nonpayment of premium.

Amdment # ~~1~~ 1 4/16/87

AS 21.36.235 Notice of Renewal

Except as provided in AS 21.36.420, written notice must be provided to the insured at the last known address and to the agent or broker of record at least 20 days for a personal insurance policy and at least 45 days for a business or commercial insurance policy before the expiration date of the policy or of the anniversary date of a policy written for a term longer than one year or with no fixed expiration date if

- (1) the renewal premium is to be increased more than 10% for reasons other than an increase in coverage or an increase in exposure base
- (2) there is to be any material restriction or reduction in coverage at renewal not specifically requested by the insured.

If the insurer fails to provide notice as required in this section, coverage will continue until 20 days for a personal insurance policy and 45 days for a business or commercial insurance policy after the notice is mailed.

This section does not apply to workers compensation insurance policies.

advised

Page 20, Line 28:

Insert before "This section does not apply:"

Coverage shall remain in effect 20 days for a personal insurance policy and 45 days for a business or commercial insurance policy from the date the notice of nonrenewal is mailed. ~~No premium shall be earned or charged for any period of coverage that extends beyond the expiration date of the policy or of the anniversary date of a policy written for a term longer than one year or with no fixed expiration date.~~

adopted

AMENDMENT #5
Offered 4/16

By Sund

Page 20, Line 1:

Delete: [(b) of]

Explanation: This amendment fixes an oversight in drafting. The way it is now written, the provision to return unearned premium before the cancellation date pertains only to business or commercial insurance and not to personal insurance. This amendment would make it apply to all.

adopted

PROPOSED AMENDMENT TO HB 46

By Sund

Page 17, line 3:

Delete lines 3-12.

(Note on amendment: These items are already covered through proposed statutes on personal lines other than auto insurance and commercial and business lines. It is redundant to list them here.)

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TO: House Judiciary Committee members
FROM: Rep. John Sund
DATE: April 15, 1987
RE: HB 46 subcommittee report

The House Judiciary Subcommittee for HB 46 adopted four amendments. They are attached and explained below. Following the explanation of the adopted amendments is a recap of the amendments and issues we have yet to address.

AMENDMENT #1: Deletes from statute the five-year premium tax exemption for domestic insurers. However, it grandparents into the exemption any insurer presently qualifying for it. There is only one company that now falls under this exemption. It is questionable whether this statute ever provided the incentive for insurers to domicile in the state, which is what it was intended to do.

Location in bill: (4/15 draft) Page 1, Lines 9-12. This will create a new section 1 in the bill and all subsequent sections will be renumbered.

AMENDMENT #2A: Allows insurers to charge a cancellation fee for insureds who cancel mid-term. The fee may not exceed 5 percent of unearned premium or \$1,000, whichever is less. This does not affect cases in which the insurer cancels a policy mid-term. In those cases, the insurer must return all unearned premium. The Division of Insurance was concerned that without a cancellation penalty, unscrupulous brokers could raid insurers' books by offering lower premiums. Further explanation is offered on the amendment sheet.

Location in bill: (4/15 draft): Page 21, Lines 25-29 and Page 22, Lines 1-4.

AMENDMENT #4: Requires an advance notice of premium increase or coverage decrease before the renewal date of a policy. The notice for personal lines would be 20 days; commercial and business lines would be 45 days. Those are the same periods specified in the bill for notice of nonrenewal. The exception is for personal automobile insurance which would require only a 15-day notice of premium and policy changes. That is already in statute.

Location in bill: (4/15 draft): Page 20, Lines 19-25. This creates a new section AS 21.36.235 titled NOTICE OF RENEWAL.

AMENDMENT #5: Attempts to finally settle the debate over how to require mailing of notices by uniforming all mailing procedures. All references to mailing (there are 8 in the bill) are rewritten to read "in accordance with AS 21.36.260. That statute is in present law and is titled PROOF OF MAILING. We have rewritten that statute to define proof of mailing as the receipt of a post office certificate of mailing and required that that certificate be obtained for all notifications specified in the statutes. We have also specified that notices will be mailed to the last known address by first class mail.

Location in bill: (4/15 draft) Page 19, Lines 3-12 and 20-28; Page 20, Line 23; Page 21, Lines 1-2; Page 22, Lines 12-18.

OTHER ISSUES TO ADDRESS:

Amendment #3: There was discussion of deleting the second sentence from this amendment. Another suggestion was to permit the insurer to charge for the "rolled over" days on a pro rata basis using the prior year's premium.

Amendment #6: Has not been introduced.

Commission rebates: Rep. Taylor has proposed permitting brokers to offer rebates to clients. This has the effect of competing through commission rates.

AMENDMENT #1

(Adopted)

By Navarre

Page 1, Line 9:

Add a new section 1 to read:

AS 21.09.210(c) is amended to read:

(c) A domestic company organized before July 1, 1987,
is exempt from taxation under this section for a period of
five years from the date of its organization.

Renumber sections accordingly.

AMENDMENT #2

By Sund (as alternative to Alaska
National Insurance Co.)

(Adopted)

Page 21, Lines 16-23

Rewrite AS 21.36.255(a) as follows:

(a) If an insurance policy is canceled, rejected, or rescinded by the

- (1) insurer, the insurer shall return any unearned premium paid to the insured or premium finance company; or,
- (2) insured, the insurer shall return any unearned premium paid to the insured or premium finance company, less a cancellation charge clearly shown in the policy, not to exceed 5 percent of the unearned premium or \$1,000, whichever is less.

Explanation (By Division of Insurance):

During the past week, an insurer noted a concern which we feel may be legitimate. An insurer is not generally going to get rich off the inequities that may exist in the methodology used in cancellations by an insured. However, the existence of the penalty does limit any abuse of the cancellation that might occur. The concern expressed by the company is that a less than scrupulous broker could "raid" a book of business of another broker or an insurer and cause a considerable financial distress. This could be likened to a run on the bank.

This eventuality was not considered when this Section was introduced and in fact the Division has been considering rule making in this area. We believe that we must back up a bit on this issue, but we do still want to eliminate the abuses.

AMENDMENT #3

By Sund

Page 20, Line 28:

Insert before "This section does not apply:"

Coverage shall remain in effect 20 days for a personal insurance policy and 45 days for a business or commercial insurance policy from the date the notice of nonrenewal is mailed. No premium shall be earned or charged for any period of coverage that extends beyond the expiration date of the policy or of the anniversary date of a policy written for a term longer than one year or with no fixed expiration date.

AMENDMENT #4

By Sund

(Adopted)

Page 20, Line 18:

Add a new section to read:

AS 21.36.235. NOTICE OF RENEWAL. Except as provided in AS 21.36.420, no increase in premium or decrease in coverage may occur upon renewal unless notice of those changes are mailed or delivered to the named insured, at the last known address, at least 45 days prior to expiration.

Explanation:

AS 21.36.420 pertains to personal auto insurance and requires a 15 day notice of changes in the policy or premium. That would remain in effect with this amendment.

AMENDMENT #5

By Sund

(Adopted)

Rewrite all mention of mailing and delivering of notices to read:

" . . . in accordance with AS 21.36.260."

Amend AS 21.36.260 to read:

[PROOF OF] MAILING OF NOTICES. The insurer shall mail or deliver any notice required under this chapter to the insured at the last known address by first class mail. Proof of mailing in the form of a U.S. Postal Service Certificate of Mailing is required [OF NOTICE OF CANCELLATION, OR OF NONRENEWAL OR OF REASONS FOR CANCELLATION, TO THE NAMED INSURED AT THE ADDRESS SHOWN IN THE POLICY, IS SUFFICIENT PROOF OF NOTICE].

AMENDMENT #6

By Sund

Add a new statute, AS 21.36.430, reading:

Any person or entity adversely affected by conduct in violation of the provisions of this chapter shall have a private right of action against the offending insurer for such compensatory and exemplary damages as may be proven.

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M E M O R A N D U M

TO: Rep. John Sund
FROM: Shari Kochman
DATE: April 9, 1987
RE: Amendments to CS HB 46 (L&C) in CS HB 46 (Judiciary)

The following changes have been made in House Bill 46 in the Judiciary committee substitute as proposed by the subcommittee.

1. Page 5, Line 25: The phrase "not intend to use or use" has been inverted to read "not use or intend to use." The purpose is for clarity.
2. Page 17, Lines 3-12 of (L&C) CS have been deleted. This shows up in the (Judiciary) CS on Page 17, Line 3. These items will be covered under the new provision in the bill for commercial lines.
3. Page 18, Lines 24-29 and Page 19, Lines 1-2 of (L&C) CS have been deleted. This shows up in the Judiciary CS on Page 18, Line 14. These items can be covered under subsection (b) of Section 34, Page 18, Line 14 of the (Judiciary) CS.
4. Page 19, Line 4 of (L&C) CS has been amended to read: "in a particular case or cases." This shows up in the (Judiciary) CS on Page 18, Line 15. The purpose of this amendment is to avoid a separate application for each request for cancellation when the policies considered for cancellation all fall under the same reason.
5. Page 21, Line 16 of (L&C) CS: The words "in any way" have been deleted. This shows up in the (Judiciary) CS on Page 20, Line 27. The deleted language was considered unnecessary.

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M E M O R A N D U M

TO: Rep. John Sund
FROM: Shari Kochman
DATE: April 9, 1987
RE: Topics of discussion for HB 46

The following topics came up in the HB 46 subcommittee meeting and were left for discussion in full committee:

1. Page 18, Line 14 of the (Judiciary) CS. The subcommittee considered adding a seventh reason for cancellation in the case of an insured denying information to the insurer that is needed in determining rates. The Division of Insurance has proposed language for this which is provided to you as an amendment. (Amendment #1)
2. Page 20, Lines 7-10 of the (Judiciary) CS requires a second "good faith effort" on the part of the insurer to get a notice of cancellation to the insured if the first notice was returned undelivered. The question is what a good faith effort means.

Note: The Division of Insurance has proposed two possible amendments. (Amendment #2)

Also take note of the amendments proposed by the AIA in regard to sending notices of cancellation via certified mail. Some good arguments are presented against certified mail.

The following items were not specifically cited in subcommittee, but may be worth discussing:

1. Page 18, Line 2 of (Judiciary) CS amend to include

policies whose premiums are based on payroll, such as Workers' Compensation Insurance. (Amendment #3)

2. Page 20, Line 22 of (Judiciary) CS. Increase notice of nonrenewal for commercial lines from 45 days to 60 days. It really does not make sense to have this period any shorter than the notification period for mid-term cancellation. In either event, the insured has to seek alternative coverage. The argument could then be presented to increase personal lines nonrenewal notice from 20 days to 60 days. That is a judgment call because personal lines are easier to replace than commercial lines.
3. Tied into the above is an amendment suggested by the AIA that asks for advance notice of premium rate and policy changes for renewed policies. That appears to be a good idea for the following scenario: An insured expects to renew a policy because he or she has not received a notice of nonrenewal. When the bill or new policy comes, the insured finds out that the premium has increased significantly and/or the coverage has decreased. But now the insured has less time to seek alternative coverage because the renewal date is approaching.

The question is, at what point before the renewal date can the insurer be expected to rate the new policy -- 30 days, 45 days, 60 days? See the AIA suggestions; page 2, item 4 under Section 37.

Note: This type of provision already exists in statute for automobile insurance. A 15-day notice of premium change is required.

Another note: Even if the committee doesn't adopt the above, should we still require that the insurer explain any change in premium or coverage at renewal?

4. The AIA has one other worthwhile suggestion regarding renewals. They suggest that if the company decides not to renew after the specified deadline for notice, they might still serve notice of nonrenewal as long as they extend the policy past the renewal date to provide the full notification period (be it 45 days or 60 days -- as the committee decides.)

See the AIA suggestions; page 1, item 3 under Section 35. Note: The AIA asks for the same provision with cancellation, but that does not make sense. Renewals are on specified dates -- the anniversary of the policy. But mid-term cancellations are at any time that the insurance company can find cause to cancel. So the company must simply make the mid-term cancellation effective 60 days from the time of notification.

CS HB 46 (Judiciary)

AMENDMENT #1

By Division of Insurance

Page 18, Line 14

Add: (7) failure or refusal to provide data or
information necessary to confirm exposure or on
which to base policy premium."

CS HB 46 (Judiciary)

AMENDMENT #2

By Division of Insurance

Option 1

Page 20, line 7:

Delete "If a notice of cancellation is returned undelivered to the insurer, the insurer shall make an additional good faith effort to contact the insured."

Option 2

Page 20, line 9:

Following the word, "effort," insert ", as defined in regulations adopted by the director."

CS HB 46 (Judiciary)

AMENDMENT #3

By Division of Insurance

Page 18, Line 2:

Rewrite to read: "justified by a physical change in the insured property, a change in its occupancy or use, or a change in payroll, receipts, values or other exposure units."

MEMORANDUM

TO: Rep. John Sund
FROM: Shari Kochman
DATE: April 1, 1987
RE: CS HB 46 (L&C) overview

HB 46 is 30 pages long and covers 10 different insurance-related topics. A thorough overview of this bill and a sectional analysis is offered from the Division of Insurance. The following attempts to capsulize each of the 10 areas to give you an idea of what the bill does.

1. GENERAL AGENTS/MANAGERS

Present statute uses the terms general agents and managers which is confusing because general agents are required to be licensed and managers are not. The bill eliminates managers, requires all general agents to be licensed and more narrowly defines general agents.

2. CONTINUOUS LICENSE

The bill proposes continuous licensing for those licensed under the insurance statutes, instead of annual renewal. Annual fees will still apply. This diminishes paperwork for the division.

3. FIRM/INDIVIDUAL LICENSE

The bill requires certain individuals within a firm to be licensed instead of operating on the firm license, as is now allowed. This will increase accountability for the division. Licensing requirements are also extended to adjusting firms under the bill.

4. CANCELLATION

The bill lengthens required cancellation notification periods for personal lines and establishes notification requirements for commercial lines.

5. BROKER BOND

The bill increases the broker bond requirement from \$5,000 to \$10,000. (Note: The original proposal was \$50,000 and was reduced in the Labor and Commerce Committee.)

6. BROKER AS AGENT

The bill requires that premiums paid to a broker for insurance coverage will be considered payment to the insurer. Premium collection is the only instance in which a broker would act as agent for the insurer.

7. PRODUCER FINANCIAL/FIDUCIARY ACCOUNTS

The bill gives the division the authority to review insurance ~~company~~ ^{agents & brokers} accounting records to ensure that present statutes prohibiting commingling of funds are upheld. The records would be kept confidential within the division. The bill also clarifies the statutes on accounting requirements for ~~insurers~~ ^{agents & brokers}.

8. PRO RATA ON CANCELLATIONS

The bill requires that in the event an insurer cancels a policy mid-term, unearned premiums will be returned to the insured on a pro rata basis. Present use of the short rate tables creates an added penalty in unearned premium loss to the insured.

9. ALIEN TRUST DEPOSITS

Present statute requires that as of June 20 of this year, alien insurers (those formed in a foreign country) in the surplus lines maintain a trust fund minimum of \$5 million. That is an increase from the present \$3.5 million which was increased in 1985 from \$1.5 million. This is out of line with other states. The bill would reduce the requirement to \$1.5 million. Note that this does not refer to the insurer's minimum capital and surplus requirements, which are separate from the trust fund. (Note: This is the priority measure in this bill for the division.)

10. NURSE COVERAGE

The bill would allow the Medical Indemnity Corporation of Alaska (MICA) to write policies for nurses in the state.

PROPOSED AMENDMENT TO HB 46

By Division of Insurance

Option 1

Page 20, line 25:

Delete "If a notice of cancellation is returned undelivered to the insurer, the insurer shall make an additional good faith effort to contact the insured."

Option 2

Page 20, line 27:

Following the word, "effort," insert ", as defined in regulations adopted by the director."

ADOPTED

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AMENDMENT # 1 + 2

Offered in the HOUSE

By Donley

TO: CSHB 46(L&C)

Page 19, line 18:

Delete "10"

Insert "20 [10]"

Page 19, line 20, after "cancellation.":

Insert "If cancellation is for a reason described in AS 21.36.210-(f)(2) or (3), 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 include or be accompanied by a statement of the reason for cancellation."

(A)2 OR
↑

Page 20, line 2:

Delete "10"

Insert "20"

Page 20, line 4, after "cancellation.":

Insert "If cancellation is for a reason described in AS 21.36.215-(a)(2) or (3), 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

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Ford

the cancellation."

A M E N D M E N T

Offered in the HOUSE

By Donley

TO: CSHB 46(L&C)

Page 19, lines 18 - 20:

Delete "and must [SHALL] include or be accompanied by a statement of the reason for the cancellation. ["

Insert "[AND SHALL INCLUDE OR BE ACCOMPANIED BY A STATEMENT OF THE REASON FOR THE CANCELLATION."

Page 19, line 22:

Delete ".]"

Insert "]."

Page 20, lines 3 - 4:

Delete ", and must include or be accompanied by a statement of the reason for the cancellation"

Page 20, after line 21:

Insert a new subsection to read:

"(f) A notice of cancellation of insurance required to be given under this section must include or be accompanied by a statement of the reason for the cancellation."

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Offered in the HOUSE

By Donley

TO: CSHB 46(L&C)

Page 27, lines 5 - 6:

Delete bill section 43

Renumber remaining bill sections accordingly.

Page 30, line 24:

Delete "46"

Insert "45"

Page 30, line 26:

Delete "46"

Insert "45"

A M E N D M E N T

Offered in the HOUSE

By Donley

TO: CSHB 46(L&C)

Page 8, line 16:

Delete "\$5,000"

Insert "\$10,000 [\$5,000]"

Page 8, line 18:

Delete "\$5,000"

Insert "\$10,000 [\$5,000]"

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Offered in the HOUSE

By Donley

TO: CSHB 46(L&C)

Page 20, line 17 - 19:

Delete all material and insert:

"(d) An insurer who mails a notice of cancellation required under this section shall obtain a postal receipt that indicates the notice has been mailed to the named insured."

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Offered in the HOUSE

By Donley

TO: CSHB 46(L&C)

Page 20, after line 21:

Insert a new subsection to read:

"(f) If a notice of cancellation required to be mailed under this section is returned undelivered to the insurer, the insurer shall make an additional good-faith effort to provide notice of cancellation to the insured."

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Offered in the HOUSE

By Furnace

TO: CSHB 46(L&C)

Page 19, line 14:

Delete "60"

Insert "30"

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A M E N D M E N T

Offered in the HOUSE

By Furnace

TO: CSHB 46(L&C)

Page 19, line 27:

Delete "60"

Insert "30"

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Ford

A M E N D M E N T

Offered in the HOUSE

By Furnace

TO: CSHB 46(L&C)

Page 19, line 29:

Delete "nonpayment of premium"

Insert "a reason described in AS 21.36.215(a)(1), (2), or (3)"

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A M E N D M E N T

Offered in the House

TO: CSHB 46 (L&C)

Page 19, line 16:

Delete "nonpayment of premium,"

Insert "a reason described in AS 21.36.210(a)(1), or AS 21.36.210(f)(1), (2), or (3), [NONPAYMENT OF PREMIUM]"