

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5428 SLAB HB 36 - HB 70

1000

BILL NO: CSHB 36(JuD)

DATE: March 13, 1987

TITLE: An Act requiring certain motor vehicle insurance policies to provide reduced rates for certain persons

CONTACT: Bill Brown 465-4335

DEPARTMENT OF PUBLIC SAFETY

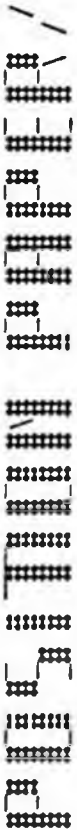
The bill requires an insurance company to reduce motor vehicle casualty insurance premiums if an applicant is 55 years of age or older, has recently taken an accident prevention course approved by the Department of Public Safety, and asks for the reduction.

The department currently approves driver improvement courses for a reduction of points under AS 28.15.241(b). Since these courses must meet the criteria set out in Section 2 of this bill, there will be little impact on the department as the same courses would be applicable for the premium reduction.

The department is neutral on this bill.

William R. Nix

WILLIAM R. NIX
Acting Commissioner



**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: CSHB 36 (Jud)
Publish Date: _____

Revision Date: _____
Title: An Act requiring certain motor
vehicle insurance policies to provide...
Sponsor: Grussendorf
Requestor: Senate Labor & Commerce

Agency Affected: Public Safety
BRU: Motor Vehicles
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No fiscal impact on this department.

Prepared by: Bill Brown
Division: Motor Vehicles
Approved by Commissioner: [Signature]
Agency: Public Safety

Phone: 465-4335
Date: 3-16-87
Date: 3/16/87

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

JNB
3/16/87

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March 19, 1987

Senator Tim Kelly
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Re: House Bill 36

Dear Senator Kelly:

I am writing to you on behalf of our clients, State Farm and Allstate Insurance Companies in opposition to House Bill 36 which is currently in the Senate Labor and Commerce Committee.

This bill, particularly as currently drafted is troublesome to our clients for a number of reasons. While driver improvement programs for the elderly should be encouraged, legislatively mandated insurance rate discounts should not. HB 36 mandates a minimal 5% premium reduction. The State of Alaska has not previously mandated specific rates, rate levels or rate values for insurance and to do so is, in fact, in contravention of the insurance rate law. AS 21.39.010 et seq. If rate reductions or changes occur due to particular conditions, such as the taking of driver improvement courses, the law now requires that the credit should actually reflect the experience of the insurer or a group of insurers for the persons who meet conditions for the particular credit. To the degree that a mandated credit cannot be actuarially justified, a subsidy is created. This is particularly ironic in light of recent studies indicating that the elderly are in better financial shape than other age groups. Attached is a March 2, 1987 Washington Times article underscoring these conclusions. In essence, if the minimal 5%

Senator Tim Kelly
March 19, 1987
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reduction cannot be actuarially justified, other policyholders will have to subsidize the elderly and they are the class most able to pay.

Further, HB 36 could adversely impact the elderly drivers it now seeks to assist. For example, effective May 1, 1987, State Farm will offer in Alaska a 10% discount to drivers between the ages of 50 and 65 with good driving records and no youthful drivers. This discount is based on current actuarial data. Allstate provides a similar discount. If this bill passes, it is possible that these programs with higher discounts to seniors would be abandoned in order to comply with the statutory minimal discount of 5%. This would be detrimental to the elderly drivers who could have had a 10% discount without the legislation.

In a competitive market, the price of automobile insurance will reflect costs more quickly and more accurately than in a non-competitive or controlled market such as the one that will be created if HB 36 passes. For these reasons, HB 36 should not be enacted. If it is, in order to prevent inequities and the risk of creating a subsidy, no specific rate of percentage should be specified. Rather, section 1(f) should be amended to require that the insurer provide an "appropriate" or alternatively, an "actuarially justified" discount. The overwhelming majority of states which have enacted laws of this nature have used language similar to this rather than establishing a fixed or minimal percentage. Further, in order to minimize the risk of subsidy, the discount should be limited to apply only to bodily injury and property damage liability, medical payments and collision coverages as these are the only coverages that relate to an insured's driving ability and where diminished costs could be expected if there is an improvement in the driving records of this class of persons. In section f(3) we would request an amendment requiring that the course be taken within two years rather than three years prior to seeking the reduction.

We hope that upon careful consideration of these factors, you will agree that HB 36, particularly in its present draft should not be enacted.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

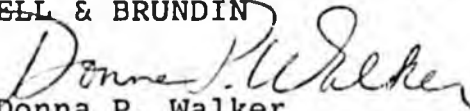
Senator Tim Kelly
March 19, 1987
Page 3

Please feel free to contact me if I may provide any additional information or answer any questions you or the committee members may have.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By:


Donna P. Walker

DPW/pl
0207B

Enclosure
cc: Senate Labor & Commerce
Committee Members

Insight

Vol. 3, No. 9

The Washington Times



8 / Vintage Years



18 / The Economic Race

34 / Isolated Albanians



COVER STORY

8 The Economics of Aging The United States has an untold success story. Thirty-five years after a massive government effort to improve the financial lot of the elderly, Americans 65 and older form the second-wealthiest age bracket. This reverses a trend; in the past, the old have been one of the poorest groups and have spent their way into poverty. Two things do threaten their financial health: a serious, long-term illness and the cost of nursing-home care.

12 The Politics of Aging Why is it that Social Security has grown by leaps and bounds during the Reagan administration while other federal programs have slowed down? Meet "the old lobby" and its fearsome leader, Rep. Claude Pepper.

15 The Science of Aging Gerontologists are still a long way from understanding of the aging process. A diet restricting calorie intake has increased life spans of laboratory rodents. Will it work for humans?

NATION

18 Crazy to Compete "Competitiveness" is the buzz word of the season, embraced by industry, unions, Democrats, Republicans — the lot. But like other things everyone agrees on, there may be less to the idea of U.S. vulnerability than meets the eye.

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29 Government Briefing

WORLD

30 Bell Tells for Beirut Now a bleak cityscape of bombed-out buildings inhabited by terrorists and assorted militia, the Lebanese capital was once a center of commerce and culture with a nightlife to rival any world-class city's. Beirut, alas, is dead.

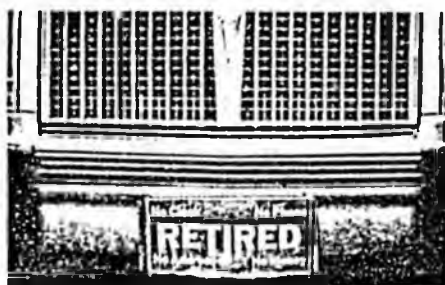
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34 The Hermit State The communist government of Albania, the poorest country in Europe, has pursued a doctrine of self-sufficiency that has made for the nation's near-total isolation.

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Greener Era for

SUMMARY: Forge the image of retirement as the desperate years. People older than 65 constitute the nation's second-richest age group and are increasingly able to maintain preretirement standards of living. Despite this progress and a host of public and private programs, the elderly remain vulnerable in two areas: dealing with catastrophic illness — a problem that is spawning proposals for federal legislation — and paying the bewildering cost of long-term care in nursing homes.



RICHARD KOZAK / INSIGHT

Contrary to popular myth, America's senior citizens are not as a general rule eating dog food in squalid apartments in declining, crime-ridden urban neighborhoods as they wait for the Social Security check to arrive.

In fact, Americans over 65 are the second-richest age group in U.S. society. Only those Americans in the next-oldest age bracket, from 55 to 64, are better-off. The assets of the aged are now nearly twice the median for the nation: The median net worth of their households in 1984 was \$60,266, while the median for all Americans was \$32,677.

And it is not just assets and home equity that makes them wealthier. If one divides household income by the number of members in the household, the elderly earn slightly more than the national average. More significant, the elderly household income is greater than that for households headed by the youngest working Americans, those under 25. Some economists say this marks the reversal of a historical trend: Workers traditionally have earned more money than retirees.

While there are still disadvantaged people among the elderly, those over 65 have since 1982 reported a lower poverty rate than the population as a whole and are widening their advantage — another reversal of historical trends.

Some elderly continue to save into retirement and do not reduce their assets. Even if one removes home equity (the big-

gest slice of most Americans' wealth), the elderly had a median household net worth of \$18,790. The general population: \$7,783.

The Federal Reserve Board's Survey of Consumer Finances for 1983 pinpoints the sources of wealth for the elderly: More than half have savings accounts, with a median value of \$2,400. Certificates of deposit are held by 37 percent of elderly families, with a median value of \$20,000. Stock holdings by 21 percent of the elderly have a median value of \$10,000, while money market accounts, held by 18 percent, have a median value of \$11,000.

It appears that more of the elderly have also achieved another important goal: Those with Social Security and a pension are more likely to maintain the standard of living they could afford when they worked, according to economist Emily S. Andrews of the Employee Benefit Research Institute. She estimates the total of all pension and Social Security income paid to retirees, government and private, to be \$300 billion a year.

Overall, the economist says, "it's a tremendous success story. We have succeeded far more than we thought we would as a society" since government and private efforts sought to reduce the 35 percent poverty levels among the elderly in the 1950s.

What all this means is that the traditional "financial life cycle" of the elderly is being altered. The pattern has been that wealth peaks at the point at which people retire; low expenses and high equity combine to offer many people more financial freedom than they have ever had, the kind of freedom that allows for retirement in the first place. But traditionally, during the course of retirement, that wealth has gradually been spent on living costs and health care, until a point at which most elderly people have declined into poverty. That pattern is now being broken for many.

The new self-sufficiency of the elderly may be the best indicator of their condition. More than 90 percent of the elderly live

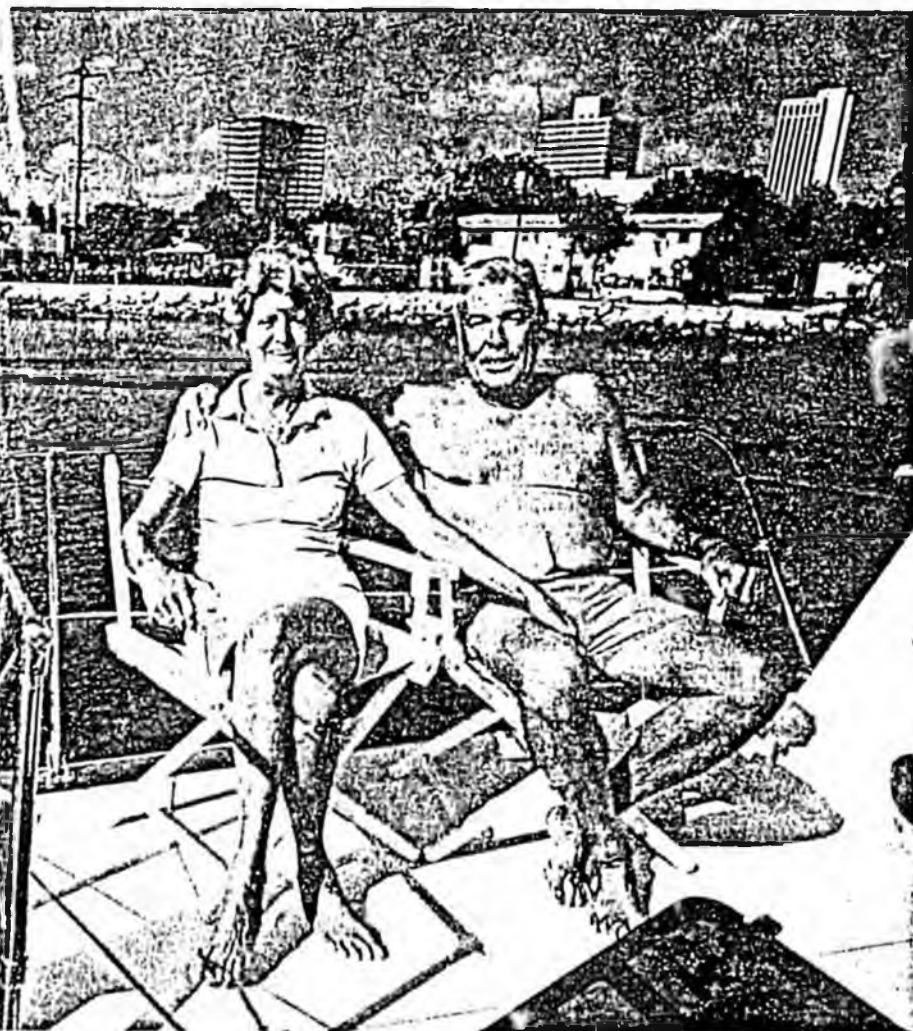


New self-sufficiency for the elderly: "A good reflection of economic well-being"

alone or with their spouse. "This is a good reflection of economic well-being," says political economist Bruce Jacobs of the University of Rochester. He cites polls of the aged by Lou Harris in both 1974 and 1981 that report the elderly feel they are in better shape than the rest of the country believes them to be.

How can this be? A number of factors reduce the cost of living for the elderly. The elderly have lower tax rates. Elderly households are smaller than those of most working people: There are no children. Thus they need less to meet basic needs. They have no commuting costs, and clothing requirements are greatly reduced. Most of the 73 percent who own their homes have

Gray America



month, \$9,504 a year. The total income for a working couple now retiring is closer to \$900 a month.

Part-time work, savings and pensions can close the gap for those who want to reach the replacement rate. Pensions are the key. Andrews has calculated that 37 percent of retirees with families receive pensions. The average benefit is \$5,315 a year, about \$100 a week (these are the projected benefits for those recently retired and those about to retire, based on the records of workers aged 55 to 64 in 1982). When added to typical Social Security earnings, these pensions nearly double the average income of retirees. Andrews predicts eventually 71 percent of today's young workers will earn pension income when they retire. (Others worry that savings rates among the young may not be high enough and job changes too frequent to provide the good incomes of current retirees.)

One reason retirees can live on less money than the working population is that they pay lower taxes. Social Security, the base income for retirees, is not taxed for most recipients (singles earning less than \$25,000 a year and couples earning less than \$32,000 a year). For others, no more than half of the benefits are counted toward total taxable income.

Data from an income survey of the Bureau of the Census for 1984 reveals that those over 65 had average household incomes of \$18,279 — somewhat less than the nation's average household income of \$27,464. But if that income is divided by the number of household members, the elderly are a little better-off than the national average per household member — \$10,316 to \$10,207.

Average per capita household income for those over 65 is higher than for all those under 45 — those most likely to have children and, thus, more people per household. For example, per capita income for the 35 to 44 age group was \$9,646, while for the 25 to 34 group it was \$9,147.

These data show that the distribution of wealth and income has changed dramatically since Social Security was created in 1935, according to Rita Ricardo-Campbell. In those days the aged earned far less than working heads of households. Today "more than half of all adults are paying more in Social Security taxes than in personal income tax," she says. These lower

paid off the mortgages so they have no monthly payment. Many of the others are more likely to live in subsidized public housing than the rest of the population.

The elderly are the primary beneficiaries of federal social spending. The portion of the federal budget benefiting the aged has risen from 6 percent to 30 percent since 1960, according to Rita Ricardo-Campbell of the Hoover Institution. Rochester's Jacobs calculates that the elderly received more than 75 percent of the \$450 billion in social entitlements (those that are not means-tested) in the 1986 federal budget. He estimates total spending on the aged to be about \$350 billion, more than the entire defense budget, more than any other part of the federal budget.

How much retirement income is needed

to sustain a living standard? Paul R. Westbrook, a retirement planner with the New Jersey-based Buck Consultants Inc., says a retiree should have enough pension earnings, interest and dividend income, and Social Security to equal 64 percent of his preretirement income. (This is often referred to as the replacement rate, the rate at which retirement income replaces preretirement income.)

Social Security alone usually cannot maintain a retiree's standard of living. Benefits average only 40 percent of the replacement rate, 27 percent and less for those whose incomes were at the ceiling level for Social Security taxes. The average new beneficiary today is paid \$467 a month, or \$5,604 a year. The highest payment for new beneficiaries is \$792 a

incomes for young workers require both spouses to work, including 70 percent of women in their childbearing years.

All is not rosy for America's elderly. Ricardo-Campbell found those over 85 "are still the poorest in society." The American Association of Retired Persons is concerned about those who are near poverty. "More than one in five of the elderly," says the association's Judy Shub, "are near or below the poverty line."

In 1985, the poverty level for the 65-and-older group as a whole was lower than the national level: The national poverty rate was 14 percent but only 12.6 percent for those 65 and older. But since 8.3 percent of the elderly are also officially classified as "near poverty," that brings the total near or below the poverty line to 20.9 percent, compared with 18.7 percent for the nation.

This elderly poverty, however, may be overstated by official data, according to many economists, because it does not include a whole range of government benefits and other mitigating factors. If their market value were considered part of income, benefits such as food stamps and public housing would lower the poverty rate for the elderly to 10.7 percent (and the nation's rate to 12.5 percent), according to June O'Neill of the U.S. Commission on Civil Rights. And if the market value of all medi-



JOHN RENOULD/INSIGHT



RICHARD KODAKI/INSIGHT

Leisure time for those at retirement communities in Maryland (left) and Florida

cal benefits given to the elderly are added, she says, the poverty rate for those over 65 could be as low as 2.9 percent (and 9.1 percent for the nation).

The elderly may actually be earning more than they report. There's a "strong likelihood" that some elderly people do not report their full income to the Internal Revenue Service, presumably because they fear it may endanger their Social Security earnings, says Robert J. Myers, former executive director of the National Commission on Social Security Reform.

Myers cites a report by Mindy Upp in the January 1983 Social Security Bulletin which claimed that Social Security and IRS data indicate the elderly were earning more than they told the Bureau of the Census in its surveys. The income was underreported by more than 41 percent, the report claims.

The Census Bureau estimates that the general population underreports its income to the bureau by about 10 percent.

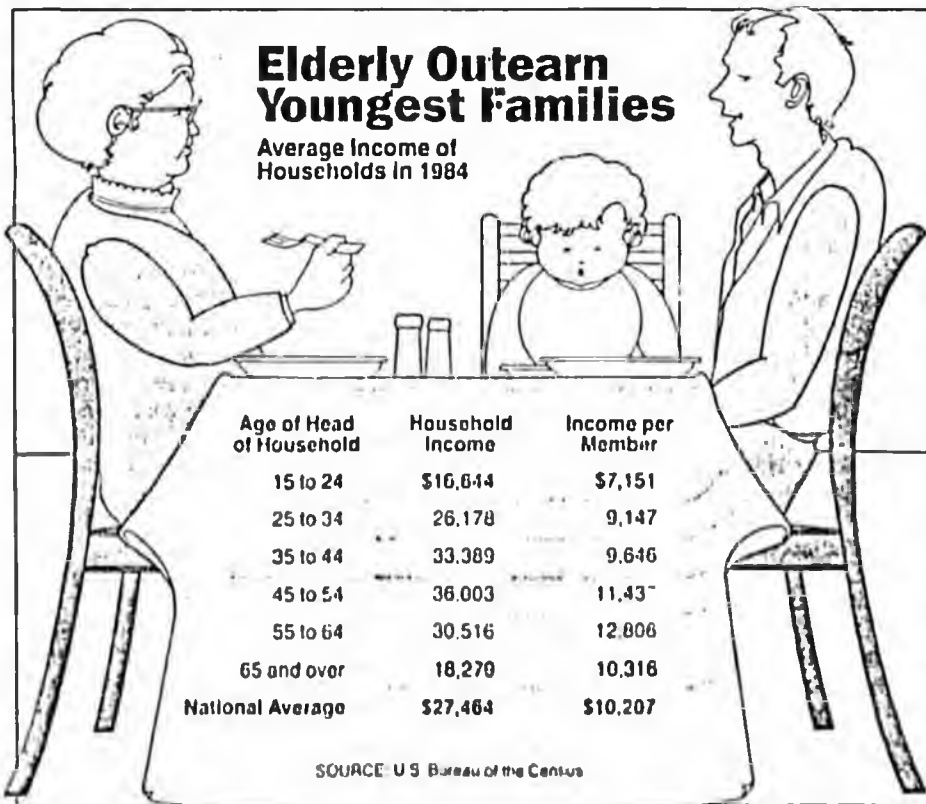
The elderly who did not work long enough to earn a reasonable Social Security benefit are for the most part covered by Supplemental Security Income and Medicaid (a means-tested benefit, unlike Medicare). This leaves two major problem areas: catastrophic illnesses and long-term health care in nursing homes.

Of the two, the more threatening is long-term health care. Very few older Americans can afford any protracted stay in a nursing facility, primarily because they are not insured for it. Many people believe that such stays are covered by Medicare. They aren't, except in some very narrowly defined cases. "The threat of impoverishment is high for those facing either a long-term health problem or nursing home stay," says Marion Ein Lewin, a health care analyst for the American Enterprise Institute. Since nursing home care costs about \$30,000 a year, it can quickly deplete the net wealth of most of the aged.

A recent study by the Harvard Medical School has discovered the stark reality that faces the uninsured. Surveying those 75 and older who lived alone in Massachusetts, the researchers found that 46 percent of them would be reduced to poverty after 13 weeks in a nursing home. At the end of two years, 80 percent to 90 percent would be in the metaphorical poorhouse.

Some elderly Americans have been forced deliberately to pauperize themselves to qualify for Medicaid. Peter J. Ferrara, an adjunct scholar with the Cato Institute, estimates that 1,000 patients a year exhaust their insurance and then begin the process of spending their assets. According to the Health Care Financing Administration, half of all Medicaid spending goes for those who went into a nursing home with some financial resources but later spent their assets down to poverty and became qualified for Medicaid.

These expenses are not currently incurred at all for 80 percent of the old and



JOHN RENOULD/INSIGHT



MICHAEL HERON - WOODFIN CAMP & ASSOCIATES

High cost means few of the aged can afford any lengthy stay in a nursing home.

infirm, because they are being cared for at home by relatives and friends, according to Blue Cross and Blue Shield Association spokesman Charlotte Crenson. Or, increasingly, the need can be covered by private insurance. A few years ago, very few commercial insurance companies offered long-term health care insurance; today there are 30 to 40 companies. Insurance companies have discovered that adding at-home health care and nursing home day care to their "nursing home" policies encourages working people to sign up for the policies.

Travelers Insurance Cos. is one of the latest insurers to join the list of those offering this kind of policy. It will introduce its first long-term health care policies in the coming weeks as an employee-paid benefit at companies that carry its group health policies. Workers will also be able to sign up their parents. The monthly premium is \$10 for workers in their late 40s but rises to \$150 for those 75 years old.

Benefits will include \$50 a day for nursing home care or \$25 for day care only at a nursing facility. The policy will also cover visits of nurses, therapists or home health aides who help the infirm perform such tasks as bathing, eating and dressing. It has a maximum lifetime benefit of \$75,000.

In some respects, the maximum potential costs for the worst cases of extended nursing home care may be "an uninsurable risk," according to Myers. For this reason such insurers as Blue Cross and Blue Shield have approached the market cautiously. They do not want to encourage those already caring for the aged infirm to dump them in nursing homes.

The unmet need in the field of catastrophic health insurance is much more manageable, but the debate is more heated. Ferrara helps clarify the issue by defining the unmet need fairly precisely. He estimates that 70 percent of the elderly are in large part covered for catastrophic ill-

nesses through "medigap" policies that cover most of the medical costs not covered by Medicare. Medicare Part A (hospital costs) is taken from Social Security as a paid-up benefit at retirement. Medicare Part B (doctor bills or Supplemental Medical Insurance) is optional and costs \$17.90 a month. Most retired people pay the premium.

This leaves 30 percent of the population outside Medicare and medigap policies. Half of those are covered by Medicaid. That leaves about 15 percent of the elderly population not covered. These are the people who need assistance, according to Bernard R. Tresnowski, president of the Blue Cross and Blue Shield Association. He identifies them as "individuals and families with incomes too low to enable them to afford private coverage but too high to be eligible for Medicaid."

President Reagan has brought the issue of catastrophic health insurance before the nation in his last two State of the Union addresses. He asked the secretary of health and human services, Otis R. Bowen, to make a proposal for a government program.

Bowen recommended federal insurance, to cost retirees less than \$5 a month. Reagan endorsed Bowen's proposal Feb. 12, despite opposition within the administration. Observers had expected the president to offer a plan that would keep private insurance efforts intact.

Age and Poverty

Age	Population in Thousands	Poor by Current Standard	Poor by "Market Value"
Under 6	21,631	23.0%	16.2%
6 to 17	41,245	19.5%	12.5%
18 to 24	27,112	16.5%	13.1%
25 to 44	74,560	10.6%	7.6%
45 to 64	44,723	9.5%	6.5%
65 or older	27,322	12.6%	2.9%
Total	236,594	14.0%	9.1%

* Adds federal noncash food, housing and medical benefits. SOURCE: U.S. Bureau of the Census, 1985

ARTHUR EVES - INSIGHT

Tresnowski, a member of Bowen's task force on such insurance, objects to the fact that the plan would nationalize the entire private insurance market for catastrophic illnesses just to meet the needs of a small segment of the elderly population.

He and others fear this could open the door for Congress eventually to cover all long-term health care (including nursing home stays) before the private market can grow to meet most of that need. Having the government pay all long-term health care not covered by current insurance, Ferrara says, would probably increase the present \$20 billion a year spent by the federal government to as much as \$50 billion.

Since Medicare trust funds may be depleted as early as the 1990s to meet projected needs, placing any additional strains on the system would be problematic. But some congressional liberals call the president's plan inadequate: Rep. Claude Pepper, a Florida Democrat, said it failed to address the more serious issue of nursing home care.

Marion Lewin thinks the government might avoid nationalizing insurance coverage by providing a voucher or subsidy for private medigap insurance for those who cannot afford it. This could very well forestall an enormous new burden on the federal budget and younger workers at a time when neither can afford it.

So far, the U.S. public has not balked at expanding programs for the elderly. Since Social Security is viewed as an insurance program, people "feel they paid for it because they contributed to it," says Jacobs. But "what they are getting back today in the form of Social Security and other benefits is between two and three times as much as what their contributions could have earned if they had been invested in the private sector." He says today's workers are paying for this income transfer with lower net earnings.

These social costs will almost certainly be exacerbated by any expensive new program of government-sponsored catastrophic health insurance, particularly at a time when some younger workers are less well-off than those they will be supporting.

Jacobs thinks it is time to ask a few pointed questions about all the government spending on the elderly: "Is it enough? Is it too much? If we spend so much, why do we still have some very poor? Why do we still have some who can't pay their medical bills?" The government, he believes, has simply failed to "target the money to the people who need it most."

— Robert England

HB


45

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Senator Tim Kelly, Chair
Members of the Senate Labor and Commerce Committee

FROM: Scott A. Burgess, Executive Director 

DATE: April 29, 1988

SUBJECT: HB 45 - Alaska Bidder and Product Preferences

The AML opposes CS for HB 45 (Finance) and any proposed CS which includes municipalities in the requirements to give preferences. While the AML supports local hire and Alaska products, it cannot support a state mandate that potentially increases the cost of doing business. The AML requests that the bill not pass or that the language including municipalities be deleted. As introduced, HB 45 did not apply to municipalities.

Municipalities have suffered significant reductions in federal and state financial assistance while at the same time they have experienced population growth and increased responsibilities i.e. costs. Federal and state governments have told municipalities to do more with less and yet this proposed legislation could potentially increase the cost of products and services from one percent to seventeen percent or higher, not including the cost of administration and potential liability.

Alaska municipalities support local hire, local businesses and local products. To that end, several municipalities have local preferences for purchases and hiring within the municipality. These true "local" hire ordinances have more successfully withstood court challenges nationwide than state preferences. In addition, they benefit the specific municipality more than general Alaska preferences. A product purchased or contractor hired from one municipality does not do another Alaskan community as much good as when that product or contractor is purchased or hired locally. The proposed legislation provides for no exclusion or credit for local preferences.

Another major problem is the cumulative nature of the preferences. The existing preferences and the ones added and extended by HB 45 would be cumulative! It is unclear but, presumably, these preferences would also be added to local preferences. These provisions could result in significantly higher costs. At some point, the benefits of Alaska hire or preferences exceed the benefits of providing services and products at the lowest cost to the taxpayer, and competition in the free marketplace.

Senate Labor and Commerce Committee re HB 45

April 29, 1988

Page 2

The legislation also extends preferences to municipal entitlement monies and capital funds which have traditionally been disbursed to municipalities without "strings" to be spent by communities on locally-determined priorities. The legislation also will result in more complicated purchasing procedures and adds liability language for not granting the preferences.

Again, under the provisions for maximum local control in the Alaska Constitution and the potential for increased costs for municipalities in the face of declining federal and state assistance, the AML opposes CSHB 45 (Finance) and, specifically, its expansion of preferences and their application to municipalities. Thank you.

5-0307P
Bannister
4/29/88

Original sponsors: Donley, Grussendorf,
Gruenberg, et al.

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 45 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an Alaska business bidder prefer-
7 ence, an Alaska products preference, and to procure-
8 ment involving state money; and providing for an
9 effective date."

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

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2 been harvested in the state;

3 (2) "interested party" has the meaning given in AS 36.30.-
4 699;

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6 to municipalities, [AND] school districts, and other entities for
7 school or related construction, foundation funding for education,
8 municipal assistance, revenue sharing, and state funds for capital
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11 (b) When awarding a contract based on solicited bids, the pro-
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8 business in the state, whichever is less;

9 (3) has maintained a permanent place of business in the
10 state staffed by the bidder or an employee of the bidder for a period
11 of six months immediately preceding the date of the bid;

12 (4) submits a bid for goods or services under the name that
13 appears on the person's current Alaska business license;

14 (5) is incorporated or qualified to do business under the
15 laws of the state, is a sole proprietorship and the proprietor is a
16 resident of the state, or is a partnership and all partners are resi-
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19 qualify under (1) - (5) of this subsection; and

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18 Alaska forest products, or AS 36.15.050 and 36.15.060, regarding
19 preference for Alaska agricultural and fisheries products [, EXCEPT AS
20 PROVIDED IN AS 36.30.170(b) AND (c)].

21 * Sec. 11. AS 36.30.170(d) is repealed.

22 * Sec. 12. This Act takes effect January 1, 1989.
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29

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 27, 1988

SUBJECT: Constitutional ramifications of draft
SCS CSHB 45(L&C)

TO: Senator Tim Kelly, Chair
Senate Labor & Commerce Committee

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the draft that you requested for
SCS CSHB 45(L&C).

Please be aware that the Alaska bidder preference provisions
of the draft raise federal and state constitutional
questions. These questions are not raised initially by any
change that you have requested in this draft. The problems
are based on the federal privileges and immunities clause of
the federal constitution and on the equal protection clauses
of the state and federal constitutions. Since you are
probably very much aware of the nature of these problems, I
will not discuss them further in this memo. However, if you
wish additional information, please advise.

In sec. 8 on page 3 at line 10, you may wish to consider
replacing the word "involving" with "financed entirely or
partially by". The purpose of this change would be to elim-
inate the interpretive problems that could arise with "in-
volving". The AG's office noticed the problem and suggested
"financed". If you wish to make the change, please advise.

If I may be of further assistance, please advise.

Enclosure

TLB:gc
WKG3:042

5-0307P

Bannister
4/28/83

Original sponsors: Donley, Grussendorf,
Gruenberg, et al.

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STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX C
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200

April 25, 1988

Honorable Tim Kelly
Chairman of the Senate
Labor and Commerce Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

After review of CS HB45 (Finance) I wish to suggest certain changes which I believe will make the Alaskan bidders preference evaluation process easier to apply. I would also like to bring your attention to a concern I have regarding the inclusion of language relating to recoverable damages.

Our suggested changes to AS 36.30.170(b) (Section 4 of the bill) will clarify the application of the preferences, and insure that it does not result in the award of a bid to a higher Alaskan bid over a lower Alaskan bid.

The proposed change to AS 36.30.170(c) (Section 5 of the bill) clarifies that the 10% preference for qualifying employment programs is a 10% deduction percentage preference.

The change proposed to AS 36.30.895 (Section 9 of the bill) is to add the phrase, "for the purpose of evaluation" which makes it clear that the evaluation of bids is based on the preference, but the actual contract price is based on the bid.

Finally, I believe that Section 2 of the bill which adds the phrase, "and may recover damages and such other remedies provided by law for violation of this section" will contribute to claims against the State beyond bid preparation costs. In King v. Alaska State Housing Authority, 633 P.2d 256 (Alaska 1981), the courts have held that a bidder would only be entitled to bid preparation costs if a contract were wrongfully awarded. This language could be interpreted by the courts to mean that a bidder would also be entitled to lost profits. The States potential liability could increase substantially if Section 2 is retained in the bill.

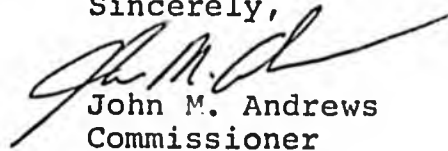
Senator Tim Kelly

-2-

April 25, 1988

Should you have any further questions, please contact me or Bob Link, Director of General Services and Supply.

Sincerely,

A handwritten signature in cursive script, appearing to read "John M. Andrews".

John M. Andrews
Commissioner

JMA:DP:gh
Attachment

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Notwithstanding the above, the preferences may not be applied to reduce the evaluation price of one Alaskan bidder below that of another Alaskan bidder whose bid before application of the preferences would be lower than the first bidder's.

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29 bidder.

1 * Sec. 6. AS 36.30.170 is amended by adding a new subsection to read:

2 (e) In this section, "Alaska bidder" means a person who

3 (1) holds a current Alaska business license;

4 (2) does more than \$1,000,000 worth of annual business in
5 the state or performs more than 50 percent of the person's annual
6 business in the state, whichever is less;

7 (3) has maintained a permanent place of business in the
8 state staffed by the bidder or an employee of the bidder for a period
9 of six months immediately preceding the date of the bid;

10 (4) submits a bid for goods or services under the name that
11 appears on the person's current Alaska business license;

12 (5) is incorporated or qualified to do business under the
13 laws of the state, is a sole proprietorship and the proprietor is a
14 resident of the state, or is a partnership and all partners are resi-
15 dents of the state;

16 (6) if a joint venture, is composed entirely of persons who
17 qualify under (1) - (5) of this subsection; and

18 (7) is an Alaska domestic insurer, if the contract is
19 insurance-related and the procurement is based on solicited bids.

20 * Sec. 7. AS 36.30.250(b) is amended to read:

21 (b) In determining whether a proposal is advantageous to the
22 state, the procurement officer shall take into account, in accordance
23 with regulations of the commissioner, whether the offeror qualifies as
24 an Alaska bidder under AS 36.30.170(e) [AS 36.30.170(b)] or is offer-
25 ing the services of an employment program as defined in AS 36.30.-
26 100(c).

27 * Sec. 8. AS 36.30.850(e) is amended to read:

28 (e) AS 36.30.170 and 36.30.322 - 36.30.338 apply [APPLIES] to
29 all [INSURANCE] contracts involving state money, including state

1 grants and reimbursement to municipalities, school districts, and
2 other entities for school or related construction, foundation funding
3 for education, municipal assistance, revenue sharing, and state funds
4 for capital projects.

5 * Sec. 9. AS 36.30 is amended by adding a new section to read:

6 Sec. 36.30.895. COMBINATION OF PREFERENCES. In the evaluation
7 of a bid or proposal, if a contractor qualifies as an Alaska bidder
8 under AS 36.30.170(e) and is also entitled to an Alaska products
9 preference under AS 36.30.328 for a contract, the procurement officer
10 shall decrease the bid or proposal price by the total of the two
11 applicable percentages.

12 ~~Section~~ * Sec. 10. AS 36.30.900 is amended to read:

13 Sec. 36.30.900. PREFERENCE FOR ALASKA PRODUCTS. This chapter
14 does not modify AS 36.15.010 and 36.15.020 regarding preference for
15 Alaska forest products, or AS 36.15.050 and 36.15.060, regarding
16 preference for Alaska agricultural and fisheries products [, EXCEPT AS
17 PROVIDED IN AS 36.30.170(b) AND (c)].

18 * Sec. 11. AS 36.30.170(d) is repealed.

19 * Sec. 12. Sections 1 - 3 of this Act take effect January 1 of the
20 calendar year that follows the calendar year in which the voters of the
21 state ratify the state constitutional amendment contained in the version of
22 HJR 18 that is passed by the Fifteenth Alaska State Legislature.

23 * Sec. 13. Sections 4 - 11 of this Act take effect upon the ratifica-
24 tion by the voters of the state of the state constitutional amendment
25 contained in the version of HJR 18 that is passed by the Fifteenth Alaska
26 State Legislature.

HB

46

A M E N D M E N T

TO: CSHB 46(Rules)

Page 16, after line 12:

Insert a new bill section to read:

"* Sec. 31. AS 21.36.090(d) is amended to read:

(d) A person may not practice or permit unfair discrimination against a person who provides a service covered under a group disability policy that extends coverage on an expense incurred basis, or under a group service or indemnity type contract issued by a nonprofit corporation, if the service is within the scope of the provider's occupational license. In this subsection, "provider" means a state licensed physician, dentist, osteopath, optometrist, chiropractor, [OR] nurse midwife, or other licensed health care practitioner."

Renumber remaining bill sections accordingly.

Page 31, line 5:

Delete "46"

Insert "47"

Page 31, line 7:

Delete "46"

Insert "47"

**SECTION BY SECTION COMMENTARY
CSHB 46 (RIs)
4/30/87**

**Prepared by: Alaska Division of Insurance
Date: 5/1/87**

OVERVIEW

This committee substitute encompasses about 13 insurance issues in one "omnibus" bill on insurance issues. Most of the items contained in the bill have, at one time or another, been requested by the Division of Insurance. The Division of Insurance supports this legislation.

The material that follows will attempt to identify each issue addressed by the bill, explain the purpose and to comment section by section.

For ease in tracking the various issues, we have provided page breaks following the commentary on each issue. The issues are:

- General Agents / Managers (Pages 2-3)**
- Continuous License (Pages 4-6)**
- Firm / Individual License (Pages 7-9)**
- Broker Bond (Page 10)**
- Broker as Agent (Pages 11-12)**
- Producer Financial / Fiduciary Accounts (Pages 13-14)**
- Alien Trusts Deposits (Page 15)**
- Commercial Cancellation (Pages 16-19)**
- Pro Rata on Cancellations (Page 20)**
- Nurse Coverage (Page 21)**
- Relocation of Definitions (Page 22)**
- Elimination of Domestic Tax Exemption (Page 23)**
- Removal of Obsolete or Duplicative Provisions (Page 24)**

GENERAL AGENTS / MANAGERS

This issue eliminates confusion with AS 21.09.280, which currently attempts to distinguish between "general agents" who are required to be licensed and "managers" who are not. It is a distinction that has been difficult to apply. The basic role of both entities is often the same, and the Alaska Insurance Code does not adequately make a distinction between the two. The bill eliminates references to managers and requires all general agents to be licensed. It then lists those specific entities that will not be considered general agents.

Section 1. (Page 1, Lines 9-20)

AS 21.09 deals with insurance companies that apply for and are issued a Certificate of Authority. These companies have elected to make themselves subject to regulation by the Alaska Director of Insurance and are referred to as admitted companies. The change in this Section makes it clear that an admitted company may only do business through persons or entities licensed by Alaska including general agents.

Section 2. (Page 1, Lines 21-29; Page 2, Lines 1-16)

This Section removes the references to managers. In §(b), the point that the general agent is licensed in the same manner as an agent licensed under AS 21.27, is clarified. This is a view that the Division has applied in practice, but is more than a little vague in statute.

In §(c), the reference to AS 21.27.500 is removed since its content is incorporated in the next Section.

Section 3. (Page 2, Lines 17-29; Page 3, Line 1-2)

§ (f) in this Section, moves a provision from AS 21.27.500. It provides that salaried employees of an insurance company are not subject to license for their activities on behalf of the insurer, even though that

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activity may have the same appearance as a general agent.

§(g) exempts persons or entities who perform general agent type services for an insurance company when that person or entity is:

- (1) a subsidiary of the insurance company;
- (2) the owner of the insurance company; or
- (3) owned by the holding company that owns the insurance company.

Section 46 (Page 31, Lines 1-4)

This Section includes a repeal of RS 21.27.500, on line 2.

CONTINUOUS LICENSE

This bill introduces a continuous insurance license for agents, brokers, solicitors, adjusters, and general agents, rather than the current system requiring annual renewal. All licensees, however, will still pay an annual fee, and failure to pay will result in revocation or suspension of the license. This change should reduce the paperwork currently handled by the Division.

Section 2. (Page 1, Lines 21-29; Page 2, Lines 1-16)

Continuous license language appears on Page 2, Lines 9-13.

Section 4. (Page 3, Lines 3-10)

Reference to renew is removed on Lines 5 & 6. The change on Lines 9 & 10 is not substantive.

Section 5. (Page 3, Lines 11-28)

RS 21.27.030(a)(1) is a controlled business prohibition. The substance of this paragraph has been moved to Section 6. §(a) is revised to deal with the new applicant. Reference to renewal has been removed.

Section 6. (Page 3, Line 29; Page 4, Lines 1-7)

This addition to RS 21.27.030 addresses the controlled business prohibition on an existing license.

Section 7. (Page 4, Lines 8-29; Page 5, Lines 1-9)

Reference to renewal removed on Page 5, Line 6.

Section 10. (Page 6, Lines 15-29; Page 7, Lines 1-3)

Reference to date of expiration is removed on Page 7, Line 2.

Section 12. (Page 7, Lines 26-29; Page 8, Lines 1-9)

This Section addresses licenses for vending machines that dispense policies of personal travel accident insurance. The only change of substance is that on Page 8, Line 3 where reference to annual continuation and expiration is removed.

Section 13. (Page 8, Lines 10-22)

The references to renewal are addressed on Lines 11-13.

Section 17. (Page 9, Lines 15-19)

The reference to renewal appears on Line 17.

Section 18. (Page 9, Lines 20-26)

The reference to date of expiration is removed on Line 24.

Section 22. (Page 11, Lines 11-27)

This Section has been completely reworked to reflect continuous licenses. In §(a) and §(b), annual fee dates differ in some cases from current renewal dates. Under present law, resident licenses expire on June 30, except for brokers, which expire on December 31. Nonresident agent and brokers expire a year from issue and nonresident adjusters on June 30. The continuation fee proposed would be due on all agents, solicitors, or adjusters on June 30, and all brokers on December 31.

The only other substantive change appears in §(d) where the surcharge for late renewal is established by regulation. This concept is already the case for all other fees of the Division of Insurance.

Section 24. (Page 12, Lines 16-29; Page 13, Lines 1-19)

The reference to refuse to renew is removed on Page 12, Line 18. Surplus lines broker licenses are not being changed to continuous license. This accounts for the inserted language on Lines 19 and 20. This type of licensee is the one that provides entry to the nonadmitted market place and is required to post a \$200,000 bond. Further, producers of business for risk retention groups or risk purchasing groups under the recently passed Federal law must have this type of license. We would prefer to see how things are going to shape up with the new Federal Act before we recommend a change

Section 26. (Page 13, Lines 25- 29; Page 14, Lines 1-7)

References relating to renewal removed.

Section 27. (Page 14, Lines 8-19)

References relating to renewal removed.

Section 28. (Page 14, Lines 20-29)

References relating to renewal removed.

Section 29. (Page 15, Lines 1-7)

Reference relating to expiration removed.

Section 42. (Page 24, Lines 16-22)

Reference relating to renewal removed.

FIRM / INDIVIDUAL LICENSE

This portion of the bill creates a new distinction between individual licenses issued to individual persons, and firm licenses issued to associations of individual licensees. Under current law, persons operating under a firm's license do not typically hold an individual license, but are named to act on the firm license. This renders individual accountability difficult. In some cases there is a constant activity on a firm's license file as individuals are added or deleted.

Also under current law, adjusting firms are not licensed, only individuals. We have experienced situations where firms have ignored Alaska Law to the detriment of the public and individual licensees within the firm. This extends the accountability principle to adjusting firms. It will give the Division of Insurance a better regulatory oversight of the industry by requiring that every person selling or adjusting insurance contracts, whether individual or firm, have the appropriate license.

Section 7. (Page 4, Lines 8-29; Page 5, Lines 1-9)

This Section concerning examination of applicants for insurance license has been changed to apply to individual licensees. Since each individual is licensed it is not necessary to require that a firm be examined. This is accomplished with insertions at Page 4, Line 10 and Page 5, Line 3.

Section 8. (Page 5, Lines 10-29; Page 6, Lines 1-8)

This Section addresses the qualifications for license. It has been modified to make it applicable to individual licensees. The language on Page 6, Lines 1 and 2, avoid additional paperwork by providing that a person acting on behalf of a firm is covered by the firm's appointment.

Section 9. (Page 6, Lines 9-14)

This Section also addresses the qualifications for license. It applies to firm licenses.

Section 10. (Page 6, Lines 15-29; Page 7, Line 1-3)

The only changes of substance in this Section are found on Page 6, Lines 22-25. The distinction between firm and corporation is removed. A definition for firm is introduced in Section 44 on Page 28, Lines 25-28. The only person to be named on a firm license will be the principal or manager of the firm.

Section 11. (Page 7, Lines 4-25)

This Section requires that the firm be licensed to the same extent as persons employed by the firm. Use by a firm of unlicensed persons who are required to be licensed is cause for reuocation or suspension.

Section 14. (Page 8, Lines 23-26)

This Section provides that the firm broker bond covers individual broker members of the firm.

Section 23. (Page 11, Lines 28-29; Page 12, Lines 1-15)

This Section addresses temporary licenses. It provides for a temporary license if the principal or manager should die. This is not a substantive change.

Section 25. (Page 13, Lines 20-24)

Since persons are no longer designated in the license to exercise its powers, the language has been revised to acting on behalf of the firm.

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Section 44. (Page 27, Lines 16-29; Page 28, Lines 1-29;
Page 29, Lines 1-29; Page 30, Lines 1-16)

Definition of "firm" introduced on Page 28, Lines 25-28.

Section 46. (Page 31, Lines 1-4)

AS 21.27.040(b) is repealed on Line 2. This is the subsection that requires firms to designate all individuals on the firm license.

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Prepared 5/1/87

BROKER BOND

This section proposes to increase the bond required of a broker from the current \$5,000 to \$10,000. The bond is available for the people of the state. The increased bond will have an increased cost, but the amount is not excessive. This is not a Division of Insurance proposal, but we have no objection to it.

Section 14. (Page 8, Lines 10-22)

The increased bond amount appears on Lines 16 and 18.

BROKER AS AGENT

Alaska currently licenses two kinds of insurance producer under AS 21.27, agent and broker. The agent represents an insurance company through appointment and contract. On the other hand, the broker represents the purchaser of insurance. It is typical for an insurance producer to hold both types of license. A purchaser of insurance usually does not know, under which license a producer is acting. Most insurance producers do try to balance the interests of the purchaser of coverage and the provider of coverage, and some do this quite well. Normally this is not an issue of concern, but when a producer becomes insolvent or has misused trust accounts, the issue can be very important.

If an agent collects premium funds for an insurer, the insurer is deemed to have received those funds whether they are sent to the insurer or not. When the insurer sends notice of cancellation for nonpayment of premium, the insured need only show his cancelled check and the coverage will be reinstated.

If a broker misappropriates premium funds, and does not pay them to the insurer or intermediary, and a notice is sent by the company which has not received payment, the coverages are generally not reinstated. The Division has had two major cases of this description and a number of smaller ones, where the public has been hurt. The resolution is to provide that when a broker places coverage which can be evidenced by a binder, issuance of a policy, or some acknowledgement from the insurer or its representative, then the insurer is considered to have received those funds whether it has or not. The broker is considered to be the agent of the company for purposes of premium collection.

An additional issue, is the need to have the producer collecting funds at the initiation of the transaction, clearly state that he is acting as a broker and coverages are not bound until confirmed by an insurer, or to return the funds to the purchaser of coverage.

Section 13. (Page 8, Lines 10-22)

This Section deals with the brokers' bond. One group of persons who could be adversely impacted with "agent as broker", is the wholesale broker or general agent who is in between the producing broker and the insurance company. It is possible that they might bear the financial brunt of this solution. Relief is offered by allowing them to access to the brokers' bond.

Section 15. (Page 8, Lines 27-29; Page 9, Line 1)

This Section makes clear the fact that the broker cannot bind an insurer.

Section 16. (Page 9, Lines 2-14)

This Section establishes the concept of "broker as agent for purposes of premium collection." (d) newly provides that a broker may not knowingly accept payment for coverage until that coverage is authorized by an insurer.

PRODUCER FINANCIAL / FIDUCIARY ACCOUNTS

The Division has been working with the Alaska Association of Independent Insurance Agents and Brokers concerning financial problems with some insurance agents and brokers and their handling of insurance premium monies. To this end, we have aided in developing some clarifications to those sections of the insurance code.

Agents and brokers are required to receive insurance premium monies in a fiduciary capacity. Unfortunately, the first sign that all is not well with an agents' or brokers' fiduciary account is when it is too late. One good indicator of a developing problem would be good accounting records accessible by the Division, which are required with this bill.

The Division has need of tools that can be used to resolve fiduciary and financial difficulties at an earlier point in time. One tool is the ability to review financial summaries or detail, such as trial balance, income statement, journal detail, etc. in a Division of Insurance office for examination when requested. These documents would be confidential.

The clarifications addressed in this issue coupled with the Broker as Agent resolution should maximize protection to insurance purchasers.

Section 19. (Page 9, Lines 27-29; Page 10, Lines 1-9)

This is a new requirement specifically requiring an agent or broker to have accounting and financial records and to maintain them in accordance with generally accepted accounting principles. These records are available for review and are confidential when in the possession of the director.

Section 20. (Page 10, Lines 10-21)

§(b) contains the requirement for a premium fiduciary account. The change clarifies the fact that other funds can not be commingled with

it except as specifically permitted in Section 21.

Section 21. (Page 10, Lines 22-29; Page 11, Lines 1-10)

§(d) permits a limited commingling of nonpremium funds in the fiduciary account for specific premium related purposes. Accounting for nonpremium funds is required.

§(e) makes clear that the premium funds required to be in the fiduciary account can not be used or represented to be asset funds. Funds optionally permitted to be in the fiduciary account, such as reserve funds are an asset of the agent or broker.

§(f) introduces a definition for "fiduciary account."

ALIEN TRUST DEPOSITS

This issue is considered the #1 priority legislative need this session and it relates to the trust fund requirements for alien surplus lines insurers wishing to business in Alaska. An alien insurer is one formed under the laws of a country other than the United States.

At the present time, AS 21.34.040(c) provides that an alien surplus lines insurer must maintain a trust fund for the benefit of policyholders in the United States in an amount not less than \$3.5 million. That \$3.5 million figure is scheduled to increase to \$5 million on June 20, 1987. This portion of the bill would eliminate this scheduled increase and reduce the trust fund requirement to \$1.5 million, the level required before June 20, 1985.

This proposal would avoid the necessity to declare as ineligible, approximately 95% of the alien surplus line companies doing business in the Alaska market. There is a great deal of concern about the reduction of available insurance markets for exposures in this state. If the current language in statute were to be enforced, many insurers who now provide valuable markets would be ineligible for use here. Alaska is out of step with the rest of the country on this issue where the norm is a deposit of \$1.5 million. This proposal does not impact the minimum capital and surplus required of alien insurers.

Section 30. (Page 15, Lines 8-29; Page 16, Lines 1-12)

The language to accomplish the change noted above appears on Page 15, Lines 21-22. Other changes are not substantive.

Section 48. (Page 31, Lines 8-9)

This Section is an immediate effective date for Section 30 only.

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Section 48. (Page 31, Lines 8-9)

This Section is an immediate effective date for Section 30 only.

COMMERCIAL CANCELLATION

AS 21.36.210 - 310 currently places a limitation on an insurance company's right to cancel in mid-term, personal lines of insurance, such as automobile insurance or homeowners insurance. This whole section of law deals with insurer initiated cancellations. The insurance crisis of the past few years, accented the need that this kind of protection should also be provided for commercial policies.

To accomplish this, it is necessary to substantially rework AS 21.36.210 - 310. A number of sections have been relocated and a distinction made between personal insurance and business or commercial insurance. The personal insurance limitation is unchanged except that notice period has been revised. This issue has been the one generating the most fine tuning during the hearing process.

The business or commercial insurance notice is similar to those in many states. This proposal preserves the insurers right to cancel but does require an adequate period of notice, a statement of the reasons for the cancellation, and requires, in most cases, that any unearned premium be returned to the insured before the effective date of cancellation. A notice requirement has been added for an increase of premium at renewal or a change in coverage. Notice must be given prior to expiration.

The normal period of notice for cancellation will be 30 days for personal lines and 60 days for commercial and business insurance policies. Notice for nonpayment will be 20 days. Notice for special reasons such as suspension or revocation of license, conviction of a crime related to the type of coverage provided, and material misrepresentation will have a 10 day notice. Notice of nonrenewal will remain at 20 days for personal insurance and will be 45 days for commercial nonrenewals.

Section 31. (Page 16, Lines 13-24)

No substantive change.

Section 32. (Page 16, Lines 25-29; Page 17, Lines 1-2)

No substantive change. This is merely a relocation of RS 21.36.300. Reference to some exceptions has been deleted since those will be picked up under the commercial or business definition.

Section 33. (Page 17, Lines 3-21)

No substantive change.

Section 34. (Page 17, Lines 22-29; Page 18, Lines 1-9)

This Section lists the notice periods for personal insurance.

Section 35. (Page 18, Lines 10-29; Page 19, Lines 1-29;
Page 20, Lines 1-2)

§(b) of this Section establishes the notice periods for business or commercial insurance.

§(c) requires the return of unearned premium prior to the effective date of cancellation. If the cancellation is for nonpayment, return of unearned premium must occur within 30 days after notice of cancellation is given. Audits on auditable policies must also be made before the effective date of cancellation and unearned premium returned before the expiration of the policy, where the reason for cancellation is other than nonpayment, and some specified exceptions.

While this may cause some difficulty for the insurer, it should be remembered that this speaks to an insurer initiated cancellation. Insurers can use tentative or projected numbers for the period following the notice of cancellation. They often know they are going to cancel, so usually they can also control the audit process. The insured with an auditable policy is entitled to the same protection as an insured with a nonauditable policy. The insurer may elect to waive an audit on cancellation, which is their right currently. If the Division

finds that the waiver is not in the insureds interest, it can require that an audit be made under §(d).

§(d) provides that the Director has the authority to order an audit waived by an insurer under §(c). This would be done when the director believes an insurer is acting unfairly to an insured.

§(e) clarifies that a reason for cancellation will be given in all cases.

Section 36. (Page 20, Lines 3-21)

This section provides for a notice to be given of a premium increase or of a coverage change 20 days before expiration in the case of personal insurance and 45 days before expiration in the case of business or commercial insurance. This does not apply to workers' compensation insurance.

Section 37. (Page 20, Lines 22-29; Page 21, Lines 1-12)

The notice of nonrenewal is unchanged for personal insurance at 20 days. The notice of nonrenewal for business or commercial insurance is 45 days. Failure to give required notice results in continued cover.

Section 38. (Page 21, Lines 13-22)

No substantive change.

Section 40. (Page 22, Lines 10-16)

This section requires that a notice of cancellation be sent to the last known address that the insurer have a post office receipt of mailing.

Section 41. (Page 22, Lines 17-29; Page 23, Lines 1-29;
Page 24, Lines 1-15)

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The definition of "business or commercial insurance" is new. The remainder of the changes in this Section are not substantive. The limit on cancellation will extend to vessels under 50 displacement tons which will cover most of Alaska's fishing fleet.

Section 46. (Page 31, Lines 1-4)

AS 21.36.210(c) is repealed as it is not needed.

AS 21.36.210(e) is repealed because it has been relocated in the definition of "personal insurance" on Page 23, Lines 18-29 and Page 24, Lines 1-4.

AS 21.36.230 is repealed as it is not needed.

AS 21.36.300 is repealed because it has been moved to Section 32.

PRO RATA ON CANCELLATIONS

There are two basic methods of computing return premium on a cancelled policy. In industry parlance, these are referred to as short rate and pro rata. Short rate is used on a cancellation initiated by the insured and has a built-in penalty. Pro rata is used on cancellations initiated by the insurance company and the earned portion of premium is proportionate to the period of coverage. The short rate method of computation is often a cause for complaint because of abuse. Most complaints deal with the size of the penalty provision.

Short rate penalty was originally intended to reflect an expense of the insurer that was, for the most part, beyond the insurers' control. It also provides some protection from severe market disruption. The Division has considered the elimination of short rate by regulation, but authority is vague. We would prefer to continue some form of short rate penalty but be able to address the abuses.

Section 39. (Page 21, Lines 23-29; Page 22, Lines 1-9)

This Section limits the short rate penalty to 7.5% of the unearned premium.

Section 47. (Page 31, Lines 5-7)

This Section makes clear that this new requirement does not affect in-force contracts, thus sidestepping potential constitutional conflicts.

NURSE COVERAGE

This proposal will add nurses to the list of health care professionals who can obtain professional liability insurance from the Medical Indemnity Corporation of Alaska which was formed under AS 21.88 in 1976. This is primarily a backup action since nurses have recently been able to put together a national program that appears to resolve their availability difficulties. The Division of Insurance has no objection to this proposal.

Section 43. (Page 24, Lines 23-29; Page 25, Lines 1-29;
Page 26, Lines 1-29; Page 27, Lines 1-15)

"Nurse" or "nurses", is added on Page 24, Line 27; Page 25, Lines 1, 4, 12, 13, & 16 and on Page 27, Line 9.

RELOCATION OF DEFINITIONS

Definitions in the Insurance Code (Title 21) are found in AS 21.90. In addition, chapters contain definitions that in some cases have a more general application. These should be located in the general definition chapter. The changes in this case are not substantive, but merely represent relocation with one exception, the definition of "firm," which has been already discussed on Page 8-9, under Sections 10 & 44.

Section 44. (Page 27, Lines 16-29; Page 28, Lines 1-29;
Page 29, Lines 1-29; Page 30, Lines 1-16)

§(1), "adjuster" on Page 27, Lines 19-25, was formerly AS 21.27.510(a).

§(2), "agent" on Page 27, Lines 26-29 and Page 28, Line 1, was formerly AS 21.27.470.

§(5), "broker" on Page 28, Lines 8-15, was formerly AS 21.27.480.

§(11), "firm" on Page 28, Lines 25-28 is new. See discussion on Page 8.

§(13), "independent adjuster" on Page 29, Lines 3-4, was formerly AS 21.27.510(b).

§(20), "solicitor" on Page 30, Lines 2-5, was formerly AS 21.27.490.

Section 45. (Page 30, Lines 17-29)

This Section was formerly AS 21.27.520. No substantive change.

Section 46. (Page 31, Lines 1-4)

AS 21.27.470, AS 21.27.480, AS 21.27.490, AS 21.27.510, & AS 21.27.520 are repealed as discussed in Sections 44 and 45 above.

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REMOVAL OF OBSOLETE OR DUPLICATIVE PROVISIONS

The present Insurance Code was adopted in 1966. At the time of adoption, there were a number of provisions intended to prevent disruption of, then, current activities. These provisions are no longer since some 20+ years have passed and the sections are obsolete. Included in the repeal is a section that duplicates provisions of the ethics bill adopted by the Fourteenth Legislature.

Section 46. (Page 31, Lines 1-4)

RS 21.03.030, RS 21.03.040, AS 21.03.050 and RS 21.06.040 are repealed.

ELIMINATION OF DOMESTIC TAX EXEMPTION

This item proposes to terminate a tax exemption presently granted to a domestic Alaska insurer during its first five years of existence. There is a potential constitutional issue with continuance of the tax exemption. In the past, large national insurance holding companies have taken advantage of this feature and in some cases, there has been a strong question about whether some of those companies were truly domestic Alaska insurers. The Division of Insurance has no objection to this proposal.

Section 46. (Page 31, Lines 1-4)

AS 21.09.210(c) is repealed on Line 3, eliminating the domestic tax exemption.

OVERVIEW
CSHB 46 (RIs)
4/30/87

Prepared by: Alaska Division of Insurance
Date: 5/1/87

This proposal encompasses about 13 insurance issues in one "omnibus" bill on insurance issues. Most of the items contained in the bill have, at one time or another, been requested by the Division. The Division supports this legislation.

GENERAL AGENTS / MANAGERS

This issue eliminates confusion with AS 21.09.280, which currently attempts to distinguish between "general agents" who are required to be licensed and "managers" who are not. The distinction is difficult to apply, since definition is unclear. The bill requires all general agents to be licensed, and lists specific exceptions.

CONTINUOUS LICENSE

This bill introduces a continuous license for agents, brokers, solicitors, adjusters, and general agents, to replace annual renewal. All licensees will pay an annual fee with failure to pay resulting in revocation or suspension of license. This change should reduce the paperwork handled by the Division.

FIRM / INDIVIDUAL LICENSE

This portion of the bill creates a new distinction between individual licenses issued to individual persons, and firm licenses issued to associations of individual licensees. License will be required for all individuals to provide individual accountability. This principle will also be extended to adjusting firms. We have experienced situations where firms have ignored Alaska Law to the detriment of the public and individual licensees within the firm.

BROKER BOND

This section proposes to increase the bond required of a broker from the current \$5,000 to \$10,000. The bond is available for the people of the state. The increased bond will have an increased cost, but the amount is not excessive.

BROKER AS AGENT

Alaska currently licenses two kinds of insurance producer, agent and broker. The agent represents an insurance company through appointment and contract. The broker does not. Producers typically hold both types of license. A purchaser of insurance usually does not know which license is being used. This really becomes a concern when a producer becomes insolvent or has misused trust account monies.

OVERVIEW
CSHB 46 (RIs)
4/30/87

This proposal provides that when a broker places coverage which can be evidenced by a binder, issuance of a policy, or some acknowledgement from the insurer or its representative, then the insurer is considered to have received those funds whether it has or not. The broker is considered to be the agent of the company for purposes of premium collection.

PRODUCER FINANCIAL / FIDUCIARY ACCOUNTS

The Division has been working with the Alaska Association of Independent Insurance Agents and Brokers concerning financial problems with some insurance agents and brokers and their handling of insurance premium monies. Unfortunately, the first sign that all is not well with an agents' or brokers' fiduciary account, in which he required to receive all premium, is when it is too late. One good indicator of a developing problem would be good accounting records accessible by the Division, which are required with this bill. This tool, coupled with other items in this bill should maximize public protection.

ALIEN TRUST DEPOSITS

This issue is our #1 priority legislative need this session and it relates to the trust fund requirements for alien surplus lines insurers. An alien insurer is one formed under the laws of another country.

Statute now requires that an alien surplus lines insurer maintain a trust fund for the benefit of policyholders in the United States in an amount not less than \$3.5 million. That \$3.5 million figure is scheduled to increase to \$5 million on June 20, 1987. This portion of the bill would eliminate this scheduled increase and reduce the trust fund requirement to \$1.5 million, the level required by the other 49 states.

This proposal would avoid the necessity to declare as ineligible, approximately 95% of the alien surplus line companies doing business in the Alaska market, with resultant reduction of available insurance markets for exposures in this state.

COMMERCIAL CANCELLATION

The insurance crisis of the past few years, accented the need to provide some kind of protection for commercial policies. This proposal preserves the insurers right to cancel but does require an adequate period of notice, a statement of the reasons for the cancellation, and requires, in most cases, that any unearned premium be returned to the insured before the effective date of cancellation. A notice requirement has been added for an increase of premium at renewal or a change in coverage. Notice must be given prior to expiration.

OVERVIEW
CSHB 46 (RIs)
4/30/87

PRO RATA ON CANCELLATIONS

There are two basic methods of computing return premium on a cancelled policy, which are referred to as pro rata and short rate. Pro rata is used on cancellations initiated by the insurance company and the earned portion of premium is proportionate to the period of coverage. Short rate is used on a cancellation initiated by the insured and has a built-in penalty. The short rate method of computation is often a cause for complaint because of abuse. Most complaints deal with the size of the penalty provision. This proposal places a reasonable limit on the size of the penalty.

NURSE COVERAGE

This proposal will add nurses to the list of health care professionals who can obtain professional liability insurance from the Medical Indemnity Corporation of Alaska. This is primarily a backup since nurses have been able to put together a national program that resolves their availability difficulties.

RELOCATION OF DEFINITIONS

Definitions in the Insurance Code (Title 21) are found in AS 21.90. In addition, chapters contain definitions that in some cases have a more general application. These should be located in the general definition chapter. The changes in this case are not substantive.

ELIMINATION OF DOMESTIC TAX EXEMPTION

This item proposes to terminate a tax exemption presently granted to a domestic Alaska insurer during its first five years of existence. There is a potential constitutional issue with continuance of the tax exemption.

REMOVAL OF OBSOLETE OR DUPLICATIVE PROVISIONS

The present Insurance Code was adopted in 1966. A number of provisions intended to prevent disruption of activities still remain in statute. These provisions are now obsolete. Included in the repeal is a section that duplicates provisions of the ethics bill adopted by the Fourteenth Legislature.

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Prepared 5/1/87

GENERAL AGENTS / MANAGERS

- Section 1. (Page 1, Lines 9-20)
- Section 2. (Page 1, Lines 21-29; Page 2, Lines 1-16)
- Section 3. (Page 2, Lines 17-29; Page 3, Line 1-2)
- Section 46 (Page 31, Lines 1-4)

CONTINUOUS LICENSE

- Section 2. (Page 1, Lines 21-29; Page 2, Lines 1-16)
- Section 4. (Page 3, Lines 3-10)
- Section 5. (Page 3, Lines 11-28)
- Section 6. (Page 3, Line 29; Page 4, Lines 1-7)
- Section 7. (Page 4, Lines 8-29; Page 5, Lines 1-9)
- Section 10. (Page 6, Lines 15-29; Page 7, Lines 1-3)
- Section 12. (Page 7, Lines 26-29; Page 8, Lines 1-9)
- Section 13. (Page 8, Lines 10-22)
- Section 17. (Page 9, Lines 15-19)
- Section 18. (Page 9, Lines 20-26)
- Section 22. (Page 11, Lines 11-27)
- Section 24. (Page 12, Lines 16-29; Page 13, Lines 1-19)
- Section 26. (Page 13, Lines 25- 29; Page 14, Lines 1-7)
- Section 27. (Page 14, Lines 8-19)
- Section 28. (Page 14, Lines 20-29)
- Section 29. (Page 15, Lines 1-7)
- Section 42. (Page 24, Lines 16-22)

FIRM / INDIVIDUAL LICENSE

- Section 7. (Page 4, Lines 8-29; Page 5, Lines 1-9)
- Section 8. (Page 5, Lines 10-29; Page 6, Lines 1-8)
- Section 9. (Page 6, Lines 9-14)
- Section 10. (Page 6, Lines 15-29; Page 7, Line 1-3)
- Section 11. (Page 7, Lines 4-25)
- Section 14. (Page 8, Lines 23-26)
- Section 23. (Page 11, Lines 28-29; Page 12, Lines 1-15)

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Prepared 5/1/87

Section 25.

Section 44. (Page 27, Lines 16-29; Page 28, Lines 1-20;
Page 29, Lines 1-29; Page 30, Lines 1-16)

Section 46. (Page 31, Lines 1-4)

BROKER BOND

Section 14. (Page 8, Lines 10-22)

BROKER AS AGENT

Section 13. (Page 8, Lines 10-22)

Section 15. (Page 8, Lines 27-29; Page 9, Line 1)

Section 16. (Page 9, Lines 2-14)

Section 19. (Page 9, Lines 27-29; Page 10, Lines 1-9)

Section 20. (Page 10, Lines 10-21)

Section 21. (Page 10, Lines 22-29; Page 11, Lines 1-10)

ALIEN TRUST DEPOSITS

Section 30. (Page 15, Lines 8-29; Page 16, Lines 1-12)

Section 48. (Page 31, Lines 8-9)

COMMERCIAL CANCELLATION

Section 31. (Page 16, Lines 13-24)

Section 32. (Page 16, Lines 25-29; Page 17, Lines 1-2)

Section 33. (Page 17, Lines 3-21)

Section 34. (Page 17, Lines 22-29; Page 18, Lines 1-9)

Section 35. (Page 18, Lines 10-29; Page 19, Lines 1-29;
Page 20, Lines 1-2)

Section 36. (Page 20, Lines 3-21)

Section 37. (Page 20, Lines 22-29; Page 21, Lines 1-12)

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- Section 40. (Page 22, Lines 10-16)
Section 41. (Page 22, Lines 17-29; Page 23, Lines 1-29;
Page 24, Lines 1-15)
Section 46. (Page 31, Lines 1-4)

PRO RATA ON CANCELLATIONS

- Section 39. (Page 21, Lines 23-29; Page 22, Lines 1-9)
Section 47. (Page 31, Lines 5-7)

NURSE COVERAGE

- Section 43. (Page 24, Lines 23-29; Page 25, Lines 1-29;
Page 26, Lines 1-29; Page 27, Lines 1-15)

RELOCATION OF DEFINITIONS

- Section 44. (Page 27, Lines 16-29; Page 28, Lines 1-29;
Page 29, Lines 1-29; Page 30, Lines 1-16)

§(1), "adjuster" on Page 27, Lines 19-25, was formerly AS 21.27.510(a).

§(2), "agent" on Page 27, Lines 26-29 and Page 28, Line 1, was formerly AS 21.27.470.

§(5), "brcker" on Page 28, Lines 8-15, was formerly AS 21.27.480.

§(11), "firm" on Page 28, Lines 25-28 is new. See discussion on Page 8.

§(13), "independent adjuster" on Page 29, Lines 3-4, was formerly AS 21.27.510(b).

§(20), "solicitor" on Page 30, Lines 2-5, was formerly AS 21.27.490.

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Section 45. (Page 30, Lines 17-29)

Section 46. (Page 31, Lines 1-4)

ELIMINATION OF DOMESTIC TAX EXEMPTION


Section 46. (Page 31, Lines 1-4)

REMOVAL OF OBSOLETE OR DUPLICATIVE PROVISIONS

Section 46. (Page 31, Lines 1-4)

MEMORANDUM

TO: Senate Labor and Commerce Committee

FROM: American Insurance Association, Thomas J. Slagle 

RE: CSHB46

DATE: May 6, 1987

The American Insurance Association, represents 171 property/casualty insurance companies in the United States. The AIA supports legislation on cancellation and non-renewal of commercial policies that will both provide reasonable protection for the commercial insurance consumers and provide companies with the flexibility they need to react to changes affecting individual risks.

There are several changes to HB46 that the AIA believes will improve the legislation, and that we urge you to consider. These concerns include:

Failure to Renew § 37

Historically, there has been no notice requirement for non-renewal of commercial policies. HB46 calls for a forty-five (45) day non-renewal notice on commercial and business policies. We suggest that a jump from no requirement to forty-five (45) days will place an unnecessary burden on the insurer, and will not serve the consumer. In other states which have a forty-five (45) day requirement for non-renewal notice, there simply has been massive non-renewal mailouts. We recommend that the period for non-renewal notice on business or commercial policies be shortened from forty-five (45) days to thirty (30) days (see page 20, line 29.)

The House Judiciary Committee incorporated a "rolling" provision which provides that "if notice of non-renewal is not given as required by this section, the existing policy shall continue until the insurer provides notice for the time period required by this section for that policy." We believe that this provision will benefit both the consumer and the insurer. The AIA would like,

Memorandum to Senate Labor and Commerce Committee
May 6, 1987
Page Two

in addition to that provision, that "earned premium for any period of coverage that extends beyond the expiration date shall be considered prorata based upon the previous year's rate." As a matter of equity, an insurer should not have to provide coverage without a premium return. (See page 21, line 6.)

Cancellation of Auditable Policies - § 35(c)(2)

This section requires the insurer to perform, or waive the audit before the effective date of cancellation and return or credit any estimated unearned premium before the effective date of cancellation. With many auditable policies, it is virtually impossible to perform an audit prior to cancellation, in particular if the policy premium is based on payroll or sales receipts. The AIA is concerned that if the returned premium is not adequate, that the courts may construe the cancellation to be ineffective. Taking into consideration the consumer's need for a return of premium to obtain a replacement policy, and the insurers' concerns with this section, the AIA suggests the following language: "Upon return or credit of the estimated unearned premium, the insurer or insured may request a post cancellation audit. Failure of the insurer to return the precise amount of unearned premium prior to completion of the audit shall not invalidate the cancellation." (See page 19, line 26.)

We would be willing to work with the Committee to implement these changes.

TJS#2:mb:59

FAMILY CARE CENTER

CLINIC DIRECTOR
Cary Jasper N.D.
Doctor of Naturopathic Medicine

MIDWIFERY DIRECTOR
Sherr Holley
Midwife

HIB-46

MAY 5 1987



May 4, 1987

Dear Senators Kelly and Uehling,

As you can see from the attached letter from Aetna, some insurance companies are discriminating against licensed Naturopathic Doctors because we are not specifically listed in A.S. 21.36.090 paragraph D.

Paragraph D was passed into law in 1984. The Naturopathic Licensing law was not passed until 1986, hence we were not listed. A.S. 21.36.090 paragraph D received no negative votes in either the House or Senate. Adding Naturopaths to the list of protected providers is not a controversial issue and will be greatly appreciated by the many policy holders who are being denied freedom of choice.

Please amend H.B. 46 to include Naturopaths in the list of providers in A.S. 21.36.090 paragraph D.

Thank you for your time and consideration.

Sincerely,

Cary Jasper N.D.

P.S. Don Koch of the Insurance Division supports this change. However, as per his request, we ask for this amendment ONLY if there will be other changes made requiring the House to concur. It is not our desire to slow this bill down if no other changes are planned.

PROPOSED AMENDMENT TO HB 46, "An Act relating to regulation of insurance; and providing for an effective date."

by SENATOR ABOOD

AS 21.36.090(d) is amended to read:

(d) A person may not practice or permit unfair discrimination against a person who provides a service covered under a group disability policy that extends coverage on an expense incurred basis, or under a group service or indemnity type contract issued by a nonprofit corporation, if the service is within the scope of the provider's occupational license. In this subsection, "provider" means a state licensed physician, dentist, osteopath, optometrist, chiropractor, naturopath, or nurse midwife.



January 6, 1987

C. Jasper, N D
1046 Mila
Anchorage, Alaska 99504

Dear Dr. Jasper:

In response to your inquiry concerning payments made by Aetna for services rendered by licensed naturopaths, under our standard medical insurance policies, such services would not be covered. Alaska statues 21.36.090, which sets forth unfair provider discrimination prohibitions, does not include naturopaths as a protected provider and therefore, Aetna does not recognize naturopaths as a covered provider.

Recent legislation in Alaska instituting licensing procedures for naturopaths did cause temporary confusion in our office and resulted in some claims for naturopathic services being benefitted in error. Because those payments were the result of our error, no effort will be made to recover those erroneous payments. However, we will not issue benefits for such services after December 30, 1986, since they are not covered under our policies.

We apologize for any inconvenience that may have been caused by this situation and regret that our decision on this claim could not have been more favorable to you.

If you have any further questions, please respond in writing and we will get back to you as soon as possible.

Sincerely,

Tana Witty
Cost Containment Consultant
Employee Benefits Division - Claim Dept.
Aetna Life Insurance Company

TW/ml

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We apologize for any inconvenience that may have been caused by this situation and regret that our decision on this claim could not have been more favorable to you.

If you have any further questions, please respond in writing and we will get back to you as soon as possible.

Sincerely,

A handwritten signature in cursive script that reads "Tana Witty".

Tana Witty
Cost Containment Consultant
Employee Benefits Division - Claim Dept.
Aetna Life Insurance Company

TW/ml

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.

whichever
occurs
first.

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

~~45 days~~
~~Pro-rated after~~
~~liquidation~~
~~audit/liquidation~~
~~incurs gets~~
~~a premium~~

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CS HB 46 (Rules)

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 18, Lines 5 and 27.		
20 days	Notice of cancellation by insurer due to nonpayment of premium or withholding of information needed to determine premium. Page 18, Lines 2 and 20.	Notice of policy or coverage change upon renewal of a personal line of insurance. Page 20, Line 12.	Notice of nonrenewal personal line of insurance. Page 20, Line 28.
30 days	Return of unearned premium after cancellation notice if cancellation is due to nonpayment of premium, license suspension or revocation, conviction of a crime, fraud or misrepresentation or withholding of information. Page 19, Line 5.	Notice of cancellation of a personal line of insurance by insurer. Note exceptions under 10 days and 20 days. Page 17, Line 27.	
45 days	Notice of policy or coverage change upon renewal of a commercial or business insurance policy. Page 20, Line 14.	Notice of nonrenewal of a commercial or business insurance policy. Page 20, Line 29.	
60 days	Permissible period for cancellation of personal auto policy -- if less than 60 days old. Page 16, Line 29.	Notice of cancellation of a commercial or business insurance policy by insurer. Note exceptions under 10 days and 20 days. Page 18, Line 14.	

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 304

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 group disability insurance."

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

8 * Section 1. AS 21.36.090(d) is amended to read:

9 (d) A person may not practice or permit unfair discrimination
10 against a person who provides a service covered under a group disabili-
11 ty policy that extends coverage on an expense incurred basis, or
12 under a group service or indemnity type contract issued by a nonprofit
13 corporation, if the service is within the scope of the provider's
14 occupational license. In this subsection, "provider" means a state
15 licensed physician, dentist, osteopath, optometrist, chiropractor,
16 [OR] nurse midwife, or other licensed health care practitioner.

MEMORANDUM

TO: Mark Johnson c/o Senator Tim Kelly
FROM: Thomas J. Slagle *TJS* American Insurance Association
RE: Meeting April 23, 1987 - 1:00 p.m.
DATE: April 22, 1987

As discussed in our telephone conversation, Steve Young from the AIA's San Francisco office will be with me for our meeting tomorrow. Steve's main purpose in coming to Juneau is simply to meet some of the key people in the legislative process. We would also like to discuss concerns with HB46, the so-called omnibus insurance bill, and HB36, which is currently in the Senate Labor and Commerce Committee.

I look forward to our meeting.

TJS:mb:29

Thomas J. Slagle, Esq.
(907) 586-3340

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