

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7085 HOUSE LABOR & COMMERCE

AS 21.21.390 is a new section that requires an insurer have a written investment plan adopted by its board of directors if more than 2% of assets are to be invested in medium grade or lower grade obligations.

AS 21.21.400 is a new section that gives the director authority to order an insurer to write down the holding value or order disposition of the obligations if the medium or lower grade obligations are detrimental to the policyholders of the insurer.

SECTION 35 - AS 21.21.600: The definition section of Chapter 21 is revised to include definitions relating to the new provisions.

SECTION 36 - AS 21.22.060(k)(l): Two provisions are added to the Holding Company Chapter to require insurers to make annual filing of the holding company registration and the annual registration which must include a summary of changes from the prior year.

SECTION 37 - AS 21.22.065: A new section establishes market concentration standards that may not be exceeded in an acquisition of an insurer by another insurer. The director's approval is required for a change of control of an insurer doing business in Alaska. The director may order insurers to cease business or deny approval of an acquisition if it violates the standards established in regard to market concentration. Insurers may submit a plan to the director to remedy the problem. Preacquisition notices are required. The director has the authority to request additional information to assist in evaluating the acquisition, and guidelines are established for evaluating when an excess concentrations occur. Certain acquisitions are exempt from this provision, and penalties are established for violations.

SECTION 38 - AS 21.22.080: Amended to require fair and reasonable material transactions among insurers and affiliates.

SECTION 39 - AS 21.22.085: A new section requires that a domestic insurer notify the director of certain material transactions between it and any person in its holding company system (such as purchases, loans, reinsurance agreements and contracts) if the effect of the transactions exceed a percentage of admitted assets or policyholder surplus (depending upon the transaction and type of insurer).

SECTION 40 - AS 21.22.090: An editorial change requires the evaluation of the adequacy of surplus to reflect past and projected trends in the insurer's investment portfolio rather than surplus (NAIC model act).

SECTION 41 - AS 21.22.100(b): Clarifies law to determine if a dividend is extraordinary.

SECTION 42 - 21.22.105: This new section establishes that officers and directors continue to have liability for their actions regardless of a controlling person, and establishes the responsibility of officers and directors to manage an insurer as a separate entity. Minimum standards for the activities of directors and committees are established.

SECTION 43 - AS 21.22.120: The confidentiality provision is extended to include preacquisition information provided to the director.

SECTION 44 - AS 21.22.150: New section exempts transactions covered as an acquisition under AS 21.22.065.

SECTION 45 - AS 21.22.160: The confidentiality provision is extended to include preacquisition information provided to the director.

SECTION 46 - AS 21.22.180: The confidentiality provision is extended to include preacquisition information provided to the director.

SECTION 47 - AS 21.22.200: The definition section is expanded to include terms and definitions used in the revisions to Chapter 22.

CHAPTER 27

A single producer license replaces separate agent, broker, and solicitor licenses. Licensing of surplus lines brokers is relocated from Chapter 34 into Chapter 27. Licensing of reinsurance intermediary brokers and reinsurance intermediary managers is added to the chapter. The chapter is restructured into separate articles. Article 1 establishes general requirements and the procedures applicable to all licensees. The Article 8 includes definitions applicable to the chapter. The other articles address qualifications, operating requirements, and other regulatory matters applying only to each specific type of license.

SECTION 48 - AS 21.27.010: This section is revised to include the single producer license, the new reinsurance intermediary broker and reinsurance intermediary manager license, revise licensing for managing general agents (formerly called general agents), relocate licensing surplus lines brokers, and independent adjusters.

The general requirement is that a person may not act or represent to be a licensee unless appropriately licensed. In addition, managing general agents, reinsurance intermediary brokers, and reinsurance intermediary managers of domestic insurers must be licensed by this division regarding their activities outside this state.

Licensing of third party administrators is clarified to reflect that a third party administrator who only administers claims in regard to insurance may be licensed as an independent adjuster rather than a managing general agent.

Use of a fictitious name or alias must be disclosed to the division and reflected on a license.

Exception from licensing of a person employed by an insurer is clarified to reflect that the exception only applies to an employee of an admitted insurer who acts within the course and scope of that employment and within the scope of the insurer's certificate of authority. The exception to licensure for a person who performs management services for an insurer who is affiliated with the insurer is clarified to apply only to admitted insurers or admitted reinsurers. This exception is updated to include a United States manager of the United States branch of an alien admitted insurer and the manager of a group, association, pool or organization of admitted insurer that does joint underwriting subject to examination by another insurance regulator.

The exception from the definition of adjuster for an attorney-at-law who adjusts insurance losses from time to time incidental to the practice of law is revised to exempt from the licensing chapter an attorney-at-law who is practicing law from the additional license requirements of Chapter 27.

An attorney-in-fact licensed under AS 21.75 is exempt from licensure under AS 21.27 when acting on behalf of a reciprocal insurer or exchange. This section avoids confusion regarding a managing general agent license. The NAIC model in regard to an attorney-in-fact is incorporated in AS 21.75.

The old exception from the definitions of licensees for clerical employees is incorporated as an exception to the licensing requirement. The proposed language provides greater clarity regarding the types of activities that may be performed by unlicensed individuals.

SECTION 49 - AS 21.27.010(f): This revised section would take effect January 1, 1994 and incorporate the reciprocity of the NAIC accreditation process by limiting the recognition of the insurance regulator of another jurisdiction to those jurisdictions accredited by the National Association of Insurance Commissioners.

SECTION 50 - AS 21.27.020(a): Editorial changes reflect the new biennial license renewal process.

SECTION 51 - AS 21.27.020: AS 21.27.020 is amended by combining many sections of the old AS 21.27.090 in order to create common qualifications for all licensees. Provisions that apply to a particular type of licensee are relocated to the later articles for the appropriate type of license. Applicants and licensees for firm licenses must designate a licensed officer or partner responsible for the firm's compliance with the insurance statutes and regulations of this state.

The ability for the director to adopt regulations establishing additional education or experience requirement for applicants or licensees is incorporated as a license qualification. Formerly, as a condition of continuation the director could establish additional educational requirements by regulation.

SECTION 52 - AS 21.27.025: A new section requires licensees to notify the director within thirty days by certified mail of change in residence, employment, place of business, mailing address, phone number, suspension or revocation of a license, or conviction of a misdemeanor or felony. Firms must notify the director of the termination of an individual in the firm.

*list out
access to criminal records*

SECTION 53 - AS 21.27.030(a): The control business section is revised to reflect the biennial license and the changes in licensee types.

SECTION 54 - AS 21.27.030(c): Prohibits receipt of compensation in violation of the controlled business limitation.

SECTION 55 - AS 21.27.030(e): References the general penalty section for a controlled business violation.

SECTION 56 - AS 21.27.040(a): This section clarifies that information provided in the application process must be truthful. The section reflects the new biennial renewal license process.

SECTION 57 - AS 21.27.040(c): Editorial changes made in regard to the penalties for willful misrepresentation. Penalties apply to requests for information supplied in connection with the application as well as on the application.

SECTION 58 - AS 21.27.040(d): A new section provides the director with the ability to require an applicant or licensee to supply current information of the type made in/or supplemental to an application (including at time of renewal).

SECTION 59 - AS 21.27.060: The examination of applicants and licensees section is revised to combine old sections 60 and 70. The new section clarifies that principals and managers as well as other individuals in the firm or individual licensees must pass examinations. The purpose of the examinations is clarified. The discretion the director has to require a licensee to retake the examination is revised to apply to all licensees.

A new section incorporates current procedure which allows an applicant to file a current letter of clearance from a prior state of residence in order to establish qualifications including examinations if the license and examinations cover the same material as the examinations required by this division.

A waiver of the examination requirement is discretionary for all limited licenses.

SECTION 60 - AS 21.27.060(c): After January 1, 1994, an applicants use of a current letter of clearance would be limited to states accredited by the National Association of Insurance Commissioners.

SECTION 61 - AS 21.27.060(d): After January 1, 1994, a person applying for a nonresident license may be deemed to have satisfied Alaska's qualifications only if the resident jurisdiction is accredited by the NAIC.

SECTION 62 - AS 21.27.080(b): Revised to allow consideration of times and places of examinations to include the convenience of licensees as well as the director and applicants and to remove the limitation for giving examinations only within the state.

SECTION 63 - AS 21.27.100: The appointment process is revised to include procedures for reinsurers and reinsurance intermediary managers and the new single producer license. An insurance producer is permitted to secure an appointment after submission of the first application to an insurer to conform with current industry practices.

The division will acknowledge receipt of appointments, but it is the responsibility of the person making the appointment and the appointee to review the acknowledgment for accuracy and to notify the division if corrections are required.

SECTION 64 - AS 21.27.110: Combines Sections 110 and 120 (the term of an appointment and the termination procedure). It includes the new license types. The option for the director to charge an annual renewal fee is revised to establish calculation based on a calendar year.

SECTION 65 - AS 21.27.130: Revises the form and content of licenses to reflect types and scopes. Changes include the inclusion of both the mailing address and the physical address of the place of business, expiration date for the biennial renewal, inclusion of fictitious names or aliases, and provision for the inclusion of additional information as required by the director.

SECTION 66 - AS 21.27.140: The additional license types are reflected for firm licensees. The responsibility of the firm for its employees is made explicit as are penalties for violations.

SECTION 67 - AS 21.27.150: The limited licenses section is substantially revised to include all limited licensees under Title 21.

The travel insurance limited producer license is expanded to include trip cancellation and trip interruption insurance which is commonly provided. The disability insurance limited producer license is relocated from Section 60. The title insurance limited producer license is relocated from Chapter 66. A bail bond limited producer license is created to reflect the current license scope issued. A fraternal benefit society limited producer license is relocated from Chapter 84. A retired insurance producer license is established to allow a retiree to receive contingent commissions. A new section explicitly allows the director to waive bond requirements for limited licensees.

SECTION 68 - AS 21.27.160: Scope of licenses is revised to reflect additional licensee types and to allow more flexibility in regard to the scope of a license.

SECTION 69 - AS 21.27.170: Licensing of insurance vending machines is revised to require that the insurer to be admitted and the operator be a licensed insurance producer. Revisions reflect the change to an insurance producer license and the biennial renewal process.

SECTION 70 - AS 21.27.190: Formerly the broker bond section, this section now establishes minimum requirements for all types of license bonds that may be required elsewhere in the chapter. Alternative indemnity to the bond must meet the minimum requirements to provide public protection. Alternative indemnity may be established by the director by regulation. Exception from the bond requirement for an individual in the firm is clarified to assure that the individual deposits all money into the firm's fiduciary account.

SECTION 71 - AS 21.27.270(a): Revised to reflect the new license types.

SECTION 72 - AS 21.27.270(c): Old Section 280's provision for the director's appointment as agent for service of process is incorporated into the nonresident licensing section for convenience. The cause of action is clarified to include "relative to a subject, resident, located or to be performed in this state" for consistency throughout Title 21.

SECTION 73 - AS 21.27.270(d)-(f): Relocation of other sections.

The retaliatory language from AS 21.09.270 is expanded to apply to all license types.

SECTION 74 - AS 21.27.330: Place of business is revised to include new license types.

SECTION 75 - AS 21.27.340: Public display of license is revised to reflect general handling for all types of license.

SECTION 76 - AS 21.27.350: The requirement for records to be maintained is broadened to include all license types and to clarify that they must be in sufficient detail to document activities. The availability of records for inspection by the director is clarified to require that records be maintained at the licensee's place of business. Records may also be maintained by an admitted insurer at its place of business as is customary for some insurances. Records must be maintained available for inspection by former licensee. Provisions address who maintains records when businesses are merged or purchased. Accounting and financial records must be maintained under generally accepted accounting principles. Firms are to maintain records for individuals in the firm. A licensee must respond within 10 working days to a records inquiry of the director.

SECTION 77 - AS 21.27.360(b): Clarifies that a fiduciary account must be maintained by all types of licensees for the benefit of the person entitled to the money. A firm is responsible for the fiduciary account of an individual acting on its behalf. Use of an alternative to separate trust accounts for co-mingling money is permitted as provided in AS 21.27.365.

SECTION 78 - AS 21.27.360(c): Revised to require restitution of misappropriated money. Penalties are increased for mis appropriation to deter illegal activities.

SECTION 79 - AS 21.27.360(d): Editorial changes make clear that licensee may only co-mingle funds which are required to be deposited into the fiduciary account along with certain specified additional monies.

SECTION 80 - AS 21.27.360(e): Fiduciary money may only be included in a financial statement if clearly identified as a fiduciary account in terms of assets and liabilities.

SECTION 81 - AS 21.27.360(f): The old definition of fiduciary account is relocated to Section 900 which provides all definitions for this chapter. The revised section clarifies when an individual in the firm need not maintain a separate fiduciary account.

SECTION 82 - AS 21.27.365: A new section allows an eligible licensee to use a deposit or ^{bank} board as an alternative to maintenance of a separate fiduciary account for premium trust funds. The alternative must represent at least 10% of the prior year's gross written premium. To be eligible, a licensee must have been licensed in good standing in this state for the last two calendar years and file annually a premium report certified by an independent certified public accountant licensed in this state documenting the amount of gross written premiums in this state and certifying that the licensee's system accounting, internal control and procedure provide reasonable assurance that premium taxes and fees, premiums, and return premiums are properly accounted for and paid to the person entitled to the money. To be eligible, the licensee must be current in paying taxes and fees. The director may establish additional requirements by regulation. Procedures for administering deposits reference Chapter 24 for consistency of handling of all deposits under Title 21. The director has the flexibility to match the application of trust accounting regulations to an individual licensees accounting system.

SECTION 83 - AS 21.27.370: Sharing compensation is clarified to reflect all compensation rather than only commissions and to include new license types. Firm responsibility for its individuals is affirmed. Penalties are established to prevent profiting from illegal transactions.

SECTION 84 - AS 21.27.380: This section is revised to establish biennial license renewal. Continued qualification for a license is required for renewal. The director has flexibility to spread renewal dates throughout the two year renewal period for more efficient processing. A new "lapsed" license and reinstatement procedure is established for a licensee who does not renew its license. Limitations for the term and renewal of trainee licenses is established.

SECTION 85 - AS 21.27.390: Minor editorial changes are made. Old Section 400 is combined for clarity. The term of a temporary license is revised from "not more than 90 days in a twelve month period" to 90 consecutive days with an option to renew for an additional 90 day period.

SECTION 86 - AS 21.27.405: A new section on hearing and order on violation establishes a procedure similar to that in AS 21.36 for investigations involving licensees and issuance of cease and desist orders upon the director's determination that a person has violated the chapter. Substantial penalties are established for a person who violates the director's cease and desist order to be administered by the Superior Court.

SECTION 87 - AS 21.27.410: This section is revised to reflect biennial renewal and additional types of license. Enumerated causes for denial, nonrenewal, suspension, and revocation of licenses are extended to include failure to pass an examination, cheating on an examination, engaging in an unfair or fraudulent insurance transaction, suspension or revocation of a license in another jurisdiction, forgery on an application, and accepting business from a person not licensed if the person knew or should have known that the person was unlicensed.

SECTION 88 - AS 21.27.420: The procedure for suspending or revoking a license is revised to include authority for the director to condition a license in order to protect the public from injury or potential injury.

SECTION 89 - AS 21.27.430: A person may not profit by receiving compensation when a license is suspended or revoked. Any compensation paid or earned during the period of suspension or revocation will be lost as a penalty.

SECTION 90 - AS 21.27.440: The penalties section is broadened to apply violations to the entire chapter. Penalties include compensation arising from a violation, loss of licenses, and increased monetary penalties. Willful violations are treated more harshly. Penalties may be paid in installments over a one year period.

SECTION 91 - AS 21.27.460(a): Surrender of the license is revised to reflect biennial licensing and to require surrender of the license within 10 days to clarify "immediately."

SECTION 92 - AS 21.27.460(c): New section requires surrender of the license for reissue when a change of condition occurs. This will assure that the license properly reflects the states of the licensee.

SECTION 93 - ARTICLE 2 - INSURANCE PRODUCERS: This new article establishes a single insurance producer license in place of separate licenses for agent, broker and solicitor. A single producer license will reduce the number of licenses individuals may be required to hold because of their relationships with clients and insurers. For an insurance producer, determination of whether the individual is acting as an agent of for an insurer or as a broker for the client will be determined by the relationship that the insurance producer has with each client.

AS 21.27.530 - INSURANCE PRODUCER QUALIFICATIONS

Requires that an insurance producer be competent to fulfill its responsibilities. The qualification for a fraternal society limited insurance producer license is relocated from Chapter 84. Requirements for a license with a scope that includes variable contracts incorporates current regulation regarding registration with the SEC or passing examinations regarding knowledge and competence concerning securities.

Instead of the old broker bond, an insurance producer who only acts as an agent on behalf of admitted insurers and who does not receive money required to be held in the licensee's fiduciary account does not need to maintain a bond.

AS 21.27.540 TRAINEE INSURANCE PRODUCERS

This license will be especially useful for rural licensees. A trainee insurance producer may perform certain limited tasks under the direction of a licensed insurance producer before having passed examinations required to secure an insurance producers license. This will allow on the job training and accommodate rural producers whose employees do not have as convenient access to examinations as applicants in larger metropolitan areas. The trainee insurance producer license is not available for life, disability and annuity insurance.

The trainee must show progress toward full licensure by passing the insurance laws and regulations exam within four months and the knowledge and competence exam within eight months.

Penalties are included for and employing licensee who improperly uses a trainee.

AS 21.27.550 THE APPOINTMENT OF AN INSURANCE PRODUCER AS AN AGENT

An agency agreement must be in writing and must set forth the respective authority and responsibilities of the parties. The insurance producer acting as an agent must use its fiduciary account. The agent is allowed to handle claims on behalf of the insurer but is prohibited from activities which require separate licensure in regard to reinsurance or acting as a

managing general agent. An insurance producer may not be a broker and an agent for the same client because of the obvious conflict of interest. Therefore, an agency appointment may not extend to a client for whom the insurance producer is a broker.

Provision for an insurance producer to be appointed by a reinsurance intermediary manager consistent with the NAIC reinsurance intermediary model is added.

AS 21.27.560 APPOINTMENT OF INSURANCE PRODUCERS AS BROKERS

This provision continues a current regulation requiring a written contract if the broker is compensated by fee paid by the client or by a combination of a fee paid by the client and commission paid by an insurer with which coverage has been placed.

Flexibility is provided for a broker to accept advance premium for coverage for renewal of existing coverage or receipt of a premium deposit for the purchase of insurance. Current law prohibits collecting premium prior to authorization of coverage by the insurer which creates difficulties for Alaska consumers who may not be readily available at the time coverage has been authorized to immediately pay the premium.

Greater flexibility in negotiating compensation between clients and brokers is provided. If the agreement provides for a negotiated fee only, any commission that may be earned by the insurance producer is used to offset or reimburse the client. If the compensation agreement provides a combination of fee paid by the client and commission paid by insurers, the fee may be offset or reimbursed by all or part of the commission (and the amount of commission be disclosed to the client).

In order to allow a broker to provide maximum service to his client, the broker may utilize his relationship with an insurer to accept applications, combined coverage, and collect premium on behalf of the admitted insurer. In taking advantage of the relationship with the insurer, the insurance producer remains the independent contractor of the client and does not become an agent of the insurer.

The NAIC model business transacted with producer controlled insurers is incorporated in order to prevent producer owned or controlled insurers from favoritism to or improper influence by the controlling insurance producer. This model prevents the basic conflict of interest which arises in the case of a parent company placing business with a controlled insurer. Disclosure of the relationships required to inform and protect the public.

AS 21.27.570 OPERATING REQUIREMENTS FOR CONTROLLING INSURANCE PRODUCERS

Drawn from the NAIC model, this section defines when an insurer is considered owned or controlled by the insurance producer and establishes minimum standards for the contractual relationship between the parties. The controlled insurer must provide the same access to coverage and commissions to the controlling producers as to other producers. Profit sharing is only allowed based upon independent accounting and independent validation of the adequacy of reserves in order to prevent manipulation. The controlling insurance producer may be liable in the event of the insolvency of the insurer by a conservator, rehabilitator or liquidator.

The director may order the controlling insurance producer to pay restitution if its activities in violation of this section lead to loss by the controlled insurer. Protection of the interest of policyholders is thereby maintained.

Limited exceptions to the application of these operational requirements are provided when the insurance producer is licensed and acting as a managing general agent, is a limited affiliated company, is a captive insurer, is preempted under federal law, or is participating in assigned risk pools.

ARTICLE 3 - MANAGING GENERAL AGENTS

Alaska Statutes had previously referred to general agents. This revision adopts the generally used phrase of managing general agent. This article relocates and revises existing statutes to be consistent with the NAIC MGA Model Act.

AS 21.27.590 - MANAGING GENERAL AGENT QUALIFICATIONS

This section relocates the three years experience requirement from existing law. For public protection, it gives the director discretion to require a bond and/or an errors and omissions policy.

AS 21.27.600 TRAINEE MANAGING GENERAL AGENT

To allow an individual already licensed in this state as an insurance producer to provide limited support for a licensed managing general agent if the individual does not have the full three years experience. Firms will be able to operate efficiently while proper public protection is maintained.

AS 21.27.610 AUTHORITY OF THE MANAGING GENERAL AGENT

The authority must be consistent with Alaska law and with the authority that is conferred by the admitted insurer.

AS 21.27.620 OPERATING REQUIREMENTS FOR MANAGING GENERAL AGENTS

Drawn from the NAIC model act, it establishes minimum standards for the operations of the managing general agent.

A written contract is required which requires, among other things, written underwriting and claim handling guides, proper accounting and use of fiduciary accounts, independent reserve verification for profit sharing, and director approval of MGA contracts of domestic insurers. Managing general agents are prohibited from certain activities in regard to reinsurance for the protection of the assets of the insurer. Insurer oversight of managing general agents including on-site reviews are required under certain circumstances. Examination and penalty provisions are provided. An insurer that violates its requirements in regard to a managing general agent puts its certificate of authority at risk.

ARTICLE 4 - REINSURANCE INTERMEDIARY BROKERS

This article establishes the reinsurance intermediary broker license from the NAIC Reinsurance Intermediary Model Act.

AS 21.27.670 REINSURER INTERMEDIARY BROKER QUALIFICATIONS

Three years experience is required consistent with the sophisticated nature of reinsurance transactions. The director has discretion to require a bond and/or an errors and omissions policy.

AS 21.27.680 TRAINEE REINSURANCE INTERMEDIARY BROKER

An individual who does not have the experience to be licensed as a RIB, may perform certain limited functions under the direction of a licensed RIB.

AS 21.27.690 OPERATING REQUIREMENTS FOR REINSURANCE INTERMEDIARY BROKERS

A written contract between the insurer and the RIB is required and minimum contract provisions are established. Proper accounting and use of fiduciary accounts is required. Written underwriting guides are required as is disclosure by the RIB of its relationship with any other insurers or reinsurers. A provision allows domestic insurers to use foreign RIBs if they are licensed by another jurisdiction accredited by the NAIC or for use of an alien RIB if the RIB is licensed in good standing by its domiciliary insurance regulator. Penalties for violations are established.

AS 21.27.700 REINSURANCE INTERMEDIARY BROKER RECORDS

Minimum recordkeeping requirements.

ARTICLE 5 - REINSURANCE INTERMEDIARY MANAGERS

This article establishes the reinsurance intermediary manager license from the NAIC Reinsurance Intermediary Model Act.

AS 21.27.730 REINSURANCE INTERMEDIARY MANAGER QUALIFICATIONS

Minimum qualifications include three years active working experience. For public protection, the director has discretion to require a bond/or an errors and omissions policy.

AS 21.27.740 TRAINEE REINSURANCE INTERMEDIARY MANAGERS

an individual who has not had the experience to be fully licensed. may perform certain limited tasks under the direct supervision of the licensed RIM.

AS 21.27.750 AUTHORITY OF THE REINSURANCE INTERMEDIARY MANAGERS

The authority must be consistent with Alaska laws and that conferred by the reinsurer.

AS 21.27.760 OPERATING REQUIREMENTS FOR REINSURANCE INTERMEDIARY MANAGERS

A written contract between the RIM and the reinsurer must include minimum provisions providing for proper accounting records and use of a fiduciary account, proper maintenance of other records, written underwriting guides and claim guides, and compensation agreements. Independent actuarial and accounting is required where appropriate. Certain activities are prohibited to protect the assets of the reinsurer. The director must approve contracts of domestic reinsurers or reinsurance intermediary managers. The director must be given notice if an approved contract is cancelled. The reinsurer must, among other things, conduct semi-annual on-site reviews to assure contract requirements are being met.

The reinsurance intermediary manager must disclose its relationships with other reinsurers and insurers.

AS 21.27.770 REINSURANCE INTERMEDIARY MANAGER RECORDS

Establishes minimum recordkeeping requirements for the RIM.

ARTICLE 6 - SURPLUS LINES BROKER

Licensing of surplus lines brokers is relocated from Chapter 34 into a new article in Chapter 27.

AS 21.27.790 SURPLUS LINES BROKER QUALIFICATIONS

A surplus lines broker is no longer required to hold a brokers or managing general agents license but is required to have two years active working experience in order to have the necessary expertise (previously to be a broker one had to have three years experience). The \$200,000 bond requirement is retained. The director will have discretion to require an errors and omissions policy.

AS 21.27.800 TRAINEE SURPLUS LINES BROKERS

An individual who does not have the experience to be fully licensed is permitted to provide certain limited assistance to a licensed surplus line broker.

AS 21.27.810 SURPLUS LINES BROKER RECORDS

Minimum records requirements are relocated from Chapter 34. Reference to the new tax allocation provision in AS 21.34 is added.

AS 21.27.820 DENIAL, NONRENEWAL, SUSPENSION, OR REVOCATION OF SURPLUS LINES BROKER LICENSE

From Chapter 34 and revised to incorporate the new biennial renewal.

ARTICLE 7 - INDEPENDENT ADJUSTERS

AS 21.27.830 INDEPENDENT ADJUSTER QUALIFICATIONS

Relocates and clarifies provisions from old AS 21.27.090.

AS 21.27.840 INDEPENDENT TRAINEE ADJUSTERS

Progressive examination requirements for an individual to continue to qualify for the trainee license is established. Required supervision is clarified as are supervisory requirements.

AS 21.27.850 INSURANCE PRODUCER, MANAGING GENERAL AGENT, REINSURANCE INTERMEDIARY BROKER, REINSURANCE INTERMEDIARY MANAGER, SURPLUS LINES BROKER AS INDEPENDENT ADJUSTER

Relocates AS 21.27.320 which allowed an agent or general agent to incidentally act as an adjuster without an additional license. The section is broadened to include all the licensees.

AS 21.27.860 UNLICENSED NONRESIDENT ADJUSTERS

This provision was formerly part of AS 21.27.320. The limited permission for unlicensed nonresident adjuster to adjust losses in this state is revised to require notification to the director. The director determines when a catastrophe occurs to trigger the multiple loss provision. Such an unlicensed nonresident adjuster is subject to suit under the provisions of AS 21.33.

AS 21.27.870 NONRESIDENT INDEPENDENT ADJUSTER RECORDS

Relocates the minimum records requirement of independent adjusters.

ARTICLE 8 - DEFINITIONS

AS 21.27.900 incorporates definitions used in the various articles.

SECTION 94 - AS 21.27.620(a)(4)(L): This section is revised effective January 1, 1994 to incorporate the NAIC accreditation requirement.

SECTION 95 - AS 21.27.760(b)(15): This section is revised January 1, 1994 to incorporate the NAIC accreditation requirement.

SECTION 96 - AS 21.33.011: Revisions to Chapter 33 - Unauthorized Insurers - are primarily editorial changes for clarity. This section clarifies the ability of the public to self-procure insurance from nonadmitted insurers.

SECTION 97 - AS 21.33.020(a): Editorially changes for consistency throughout the Title 21 in regard to transactions of insurance.

SECTION 98 - AS 21.33.025(a):

Editorially changes for consistency throughout the Title 21 in regard to transactions of insurance.

SECTION 99 - AS 21.33.031(a): Clarifies that a good and sufficient surety is a bond with an admitted insurer.

SECTION 100 - AS 21.33.031(c): Editorial changes for consistency throughout the Title 21 in regard to transactions of insurance.

SECTION 101 - AS 21.33.037(b): Editorial changes for consistency throughout the Title 21 in regard to transactions of insurance.

SECTION 102 - AS 21.33.037(c): Editorial changes clarify that the penalties apply to violations of Chapter 33 and are in addition to any other penalties under the title.

SECTION 103 - AS 21.33.042: Editorial changes for consistency throughout the Title 21 in regard to transactions of insurance.

SECTION 104 - AS 21.33.045(a): Provides the director with the authority to request additional information necessary to evaluate transactions with nonadmitted insurers.

SECTION 105 - AS 21.33.055(a): The tax due date is changed to March 1 for consistency throughout the title. Editorial changes clarify that surplus lines insurance is exported under AS 21.34 and that the marine insurance referenced is the defined wet marine and transportation insurance.

The director must give notice to the insured if a nonadmitted insurer fails to pay its premium taxes and the insured must pay the tax within thirty days. A flat late payment penalty is changed to a late payment fee, interest, and penalty to encourage prompt payment of taxes.

SECTION 106 - AS 21.33.055(b): The apportionment of premium and resulting taxes for multi state risks is revised to establish an allocation schedule which will provide consistent handling for unauthorized placements, self-procured placements, and surplus lines placements. The allocation of premium is clarified and the director is given authority to determine if the allocation is appropriate and to make necessary corrections.

SECTION 107 - AS 21.33.055(c): The general statutory exception to premium taxes for risks of the state or a political subdivision of the state or insurance of aircraft regularly engaged in interstate or foreign commerce is incorporated.

SECTION 108 - AS 21.33.061(a): Editorial changes for consistency.

SECTION 109 - AS 21.33.061(c): Tax due date is changed to March 1 for consistency throughout the statute. Language is clarified so that wet marine and transportation insurance is referenced. A late payment fee, interest, and penalty are added to encourage prompt payment of taxes.

SECTION 110 - AS 21.33.061(d): The allocation schedule for premium and taxes on multi state risks is incorporated providing consistency for unauthorized insurers, self-procured insurance, and surplus lines insurance.

SECTION 111 - AS 21.33.061(g): The exception to taxes for insurance risks of the state or political division of the state is added as is the aircraft exclusion. The exception for life, disability and annuity insurance is combined and clarified.

SECTION 112 - AS 21.33.065(a): Penalties for aiding a non admitted insurer in violation of AS 21.33.037 are increased and remain in addition to other penalties in the title.

SECTION 113 - AS 21.33.065(b): Penalties for other violations of Chapter 33 are revised and increased.

SECTION 114 - AS 21.33.900: The ability of the director to request records of insured in regard to coverage with unauthorized insurers is broadened to include other information required by the director. The penalty failure to obey an order to produce the records is increased and made in addition to any other penalties under the title.

SECTION 115 - AS 21.33.910: The definitions section of Chapter 33 is revised. Definitions common to the Title 21 have been relocated to Chapter 90.

SECTION 116 - AS 21.34.020: Placement of surplus lines insurance is clarified to reflect that the producing broker has a diligence search duty and to provide for exceptions to the diligent search by regulation as well as by request.

SECTION 117 - AS 21.34.025: This is a new section which clarifies the status of subscription policies or joint underwriting in which admitted insurers and nonadmitted insurers participate in providing coverage on a single policy. The section provides that a policy, any part of which must be procured through a surplus lines broker under AS 21.34, is a surplus lines policy in its entirety and claims arising out of the policy are not covered by the guarantee association.

SECTION 118 - AS 21.34.040(a): Editorial change notes that the surplus lines broker must be licensed under AS 21.27 for coverage to be placed with a nonadmitted insurer under Chapter 34.

SECTION 119 - AS 21.34.040(c): This section is revised to delete obsolete references regarding capital and minimum unimpaired surplus for nonadmitted insurers.

A new section is added regarding alien mutual protection and indemnity associations. The revised capital and surplus and trust amount requirements will now reflect the financial structure of alien mutual protection and indemnity associations.

SECTION 120 - AS 21.34.040(e): A new section clarifies that the capital and surplus requirements for eligible insurers will be calculated using generally accepted accounting practices in the United States. This will provide a common basis for determining eligibility and avoid confusion caused by overseas accounting rules which may be substantially different than ours.

SECTION 121 - AS 21.34.060: For insurers not on the division's eligible list, a provision is added from the NAIC model act requiring that the surplus lines broker notify the director when an unlisted not admitted insurer is used by the surplus lines broker. A thirty day time period is added.

SECTION 122 - AS 21.34.070(b): The basis upon which the director may declare a nonadmitted insurer ineligible is broadened to include a willful violation of the laws of another state and broadened to include the failure to reasonable investigate as well as pay losses and claims in this state or another state.

SECTION 123 - AS 21.34.080: This section coordinates the filing date for the surplus lines broker's transaction report to coincide with the due date of the surplus line broker's monthly premium report. A new provision is added which allows the director to order that evidence of insurance be filed with the surplus lines association and the surplus lines association provide periodic reports to the director regarding surplus lines insurance transactions in lieu of filing transaction reports with the division. This will enable establishing a stamping office.

The producing broker due diligence affidavit is expanded to reference the notice requirement to the insured contained in the NAIC model act.

SECTION 124 - AS 21.34.090(a): The section providing for a surplus lines association is revised to delete the ability of the association under the statute to examine brokers but is expanded to authorize attendance at the National Association of Insurance Commissioners meetings and participation in task forces and work groups. This will allow effective participation in regulatory developments.

To avoid Constitutional prohibitions against dedicated funds, the director may contract with the surplus lines association to receive reports and affidavits, to verify that coverage has been placed with eligible surplus lines insurers, to verify the amount of taxes and fees owed, and prepare periodic reports as required by the director.

SECTION 125 - AS 21.34.090(c): The Surplus Lines Association is subject to the same penalties as a surplus lines broker.

SECTION 126 - AS 21.34.090(e): This section adds a requirement that surplus lines association maintain its place of business in this state.

SECTION 127 - AS 21.34.100(a): Revises the requirement that the surplus lines broker provide detailed evidence of insurance to the insured within thirty days (rather than promptly).

SECTION 128 - AS 21.34.110: Editorial changes are made for clarity.

SECTION 129 - AS 21.34.130: Editorial changes are made for clarity.

SECTION 130 - AS 21.34.150: Editorial changes are made for clarity.

SECTION 131 - AS 21.34.170: The monthly report, summary of exported business is revised to reflect the new tax allocation provision from the NAIC model act and to provide that in lieu of the report to the director evidence of insurance may be filed with the surplus lines association. The association may file periodic reports regarding insurance transactions with the director.

SECTION 132 - AS 21.34.180: The surplus lines tax is revised to reflect the premium receipts tax rate and to reflect the scope of transaction language consistent throughout the title.

The surplus lines tax will now be paid on a quarterly basis to the state. Late payment fees and interest for late payment of taxes is added.

The NAIC surplus lines model tax allocation provision is incorporated. The procedure for allocating premiums and taxes for multi state risks is clarified and the director is given authority to determine the equitable and appropriate amount of tax due this state.

SECTION 133 - AS 21.34.190: The filing fee is now to be paid to the state quarterly.

SECTION 134 - AS 21.34.190(b): A late payment fee and interest will now be charge for late payment of filing fees.

SECTION 135 - AS 21.34.200(a): This section is revised to incorporate the late payment fee and to update the reference for the surety bond.

SECTION 136 - AS 21.34.230(a): Clarifies the procedure for imposing penalties. A penalty prevents a person from profiting from illegal transactions. Maximum penalties are increased and a distinction is drawn between willful violations and other violations.

SECTION 137 - AS 21.34.900: The definitions section is revised to delete definitions moved to Chapter 90. A new definition of reciprocal state is added in support of the tax allocation provision.

SECTION 138 - AS 21.36.020: For consistency with the scope of Title 21, unfair methods and deceptive acts are prohibited in the state or relative to a subject resident, located, or to be performed in this state.

SECTION 139 - AS 21.36.145: A new section establishes unfair financial planning practices. The section is drawn for the NAIC model act and prohibits misrepresenting sales of insurance as financial planning. Full disclosure of services and compensation is required and a written agreement is required to charge a fee for financial planning in addition to earned commissions received from insurance.

SECTION 140 - AS 21.36.150(a): Editorial changes are made for clarity.

SECTION 141 - AS 21.36(b): Editorial changes are made for clarity.

SECTION 142 - AS 21.36.150(d): A new section is added to the procedures as to undefined practices to give the director the authority to define other unfair methods and unfair deceptive acts or practices applicable to all persons.

SECTION 143 - AS 21.36.195: The return of premium provision of Alaska's Cancellation Law is revised to establish a promptness standard for an insurer to complete an audit and return premium. An insurer is required to return unearned premium within thirty days of an insured cancelling a policy not subject to audit or to complete the audit within thirty days. If the insurer requires additional time to complete the audit using due diligence, the insured must be advised in writing of the reason and the amount of time needed to complete the audit.

SECTION 144 - AS 21.36.310(1): The definition of business or commercial insurance is revised to include wet marine and transportation insurance.

SECTION 145 - AS 21.36.320(a): Editorial changes are made for clarity.

SECTION 138 - AS 21.36.320(c): Editorial changes rename stop orders as cease and desist orders.

SECTION 146 - AS 21.36.320(d): Increases the maximum penalties to deter illegal acts and broadens the directors authority to include ordering restitution and to suspend or revoke a persons license for a violation of the title.

SECTION 148 - AS 21.36.320(e): The maximum penalty for willful violation of the title is increased.

SECTION 149 - AS 21.36.320(f): Editorial change from stop order to cease and desist order is provided and the maximum penalties for failure to comply with a cease and desist order is increased. The Superior Court may also bar the violator from transacting the business of insurance in the future.

SECTION 150 - AS 21.36.350: This section is revised to broaden the director's regulatory authority to adopt regulations from claim practices to all acts and practices in Chapter 36.

SECTION 151 - AS 21.36.370: Editorial revisions reflect relocating surplus lines brokers licensing to AS 21.27. The exclusion from premium of medical exam charges for a life insurer is deleted as obsolete.

SECTION 152 - AS 21.42.025:

A new section allows charitable organizations to designate as a beneficiary or to pay premiums for individual life insurance policy when no other insurable interest exists. Procedures for making such designations (including that the insured may modify the contract) are established. Ineligible charitable organizations are identified. Exceptions for entities such as fraternal benefits societies are provided. Definitions are included for clarity.

SECTION 153 - AS 21.66.010(a): Financial requirements for title insurers are consolidated with the requirements for other insurers in Chapter 9.

SECTION 154 - AS 21.66.010(b): Financial requirements for title insurers are consolidated with the requirements for other insurers in Chapter 9.

SECTION 155 - AS 21.66.020: Financial requirements for title insurers are consolidated with the requirements for other insurers in Chapter 9.

SECTION 156 - AS 21.66.060: Title insurance company dividends section is revised to reflect the adoption in 1990 of AS 21.18.073 in regard to unearned premium reserves.

SECTION 157 - AS 21.66.080(a): Title insurance company dividends section is revised to reflect the adoption in 1990 of AS 21.18.073 in regard to unearned premium reserves.

SECTION 158 - AS 21.66.090(a): Title insurers seeking a certificate of authority will do so under Chapter 9. This avoids duplication and assures consistency for all insurers.

SECTION 159 - AS 21.66.110: Premium taxes are to be paid on March 1 for consistency throughout the title. Provisions already in Chapter 9 previously duplicated in Chapter 66 are deleted.

SECTION 160 - AS 21.66.170(a): Editorially revised to reflect the title insurance limited producer license in Chapter 27.

SECTION 161 - AS 21.66.180: Is editorially revised to reflect the title insurance limited producer license in Chapter 27.

SECTION 162 - AS 21.66.210(a): In order to encourage cost saving efficiencies, two or more title entities may form a joint title plant.

SECTION 163 - AS 21.66.270: Requirement that title insurance limited producer be licensed is revised to reflect the relocation of licensing to Chapter 27.

SECTION 164 - AS 21.66.280: Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 165 - AS 21.66.290: Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 166 - AS 21.66.300: Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 167 - AS 21.66.310(a): Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 168 - AS 21.66.310(c): Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 169 - AS 21.66.330: Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 170 - AS 21.66.350: Editorial changes reflect the new title insurance limited producer license in Chapter 27.

SECTION 171 - AS 21.66.370(a): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 172 - AS 21.66.370(c): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 173 - AS 21.66.370(f): Editorial changes to reflect the new title insurance limited producer license in Chapter 27.

SECTION 174 - AS 21.66.380(a): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 175 - AS 21.66.390: References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 176 - AS 21.66.400(a): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 177 - AS 21.66.400(b): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 178 - AS 21.66.400(c): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 179 - AS 21.66.400(d): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 180 - AS 21.66.410(c): References to rating organizations are deleted because none have been formed in Alaska and title insurers have agreed with the Federal Trade Commission not to use rating organizations.

SECTION 181 - AS 21.66.420: Editorially revised to reflect the title insurance limited producer license in Chapter 27.

SECTION 182 - AS 21.66.480(4): Editorially revised to reflect the title insurance limited producer license in Chapter 27.

SECTION 183 - AS 21.66.480(7): Is editorially revised to reflect the title insurance limited producer license in Chapter 27.

SECTION 184 - AS 21.66.480(8): An obsolete date reference is deleted.

SECTION 185 - AS 21.69.390: This new section specifies the types of records which must be maintained by a domestic insurer in Alaska. The focus is on financial and corporate records and other records required by the director.

SECTION ¹⁸⁶ - AS 21.72.120(c): Changes the filing date for the association's annual statement to March 1 to be consistent throughout Title 21.

SECTION 187 - AS 21.75.040(b): This is an editorial change applied throughout Chapter 75 regarding reciprocal insurers. The term attorney is replace by attorney-in- fact to reflect customary terminology in the industry and for consistency with the NAIC model attorney-in-fact licensing model act.

SECTION 188 - AS 21.75.045: This new section gives the directory authority to license attorneys- in-fact. An exemption is provided for attorneys-in-fact who are wholly owned subsidiaries or working for a domestic reciprocal insurer that only writes business in Alaska. Editorial change provides consistency regarding the type of transactions.

SECTION 189 - AS 21.75.060(b): Editorial change incorporating attorney-in-fact.

SECTION 190 - AS 21.75.060(c): Editorial change incorporating attorney-in-fact.

SECTION 191 - AS 21.75.080: A revised authority of attorney-in-fact is established consistent with the NAIC model act. The subscriber agreement replaces the old power of attorney as the basis of authority for the attorney-in-fact.

The subscribers agreement is subject to approval by the director and the advisory committee of the reciprocal. Specific minimum requirements include election of the advisory committee, notice of meetings to all members, the authority of the advisory committee to call a meeting and to recommend termination of the attorney-in-act. Procedures are established for arranging meetings of subscribers to terminate the attorney-in-fact and procedures for voting on termination. Investment guidelines must be established by the advisory committee for maintenance of assets and proper investment of assets. Proper accounting of funds is required. Attorneys-in-fact are required to maintain separate records for each reciprocal.

The attorney-in-fact is required to establish and maintain written underwriting guides and to report to the advisory committee on the financial condition of the reciprocal and material transactions entered into.

An annual statement, actuarial opinion, and attorney-in-fact financial statement must be provided to the advisory committee.

The method of compensation of the attorney-in-fact must be clearly disclosed. Complete records and documentation of all activities is required.

Profit sharing requires independent verification of the adequacy of reserves. Regulatory approval of certain material transactions is required by an accredited domiciliary jurisdiction.

Finally, methodology for approval of subscriber agreements by members is provided.

SECTION 192 - AS 21.75.090: Editorial change to attorney-in-fact.

SECTION 193 - AS 21.75.100(a): Editorial change to attorney-in-fact.

SECTION 194 - AS 21.75.100(b): The bond requirement for an attorney-in-fact is increase to \$100,000.

SECTION 195 - AS 21.75.100(d): This new section allows the director to require the attorney-in-fact to carry an errors and omissions policy.

SECTION 196 - AS 21.75.110: Editorial change to attorney-in-fact.

SECTION 197 - AS 21.75.115: This new section allows the director to examine the attorney-in-fact under the provisions of Chapter 6.

SECTION 198 - AS 21.75.120(a): Editorial change to attorney-in-fact.

SECTION 199 - AS 21.75.130(a): Editorial change to attorney-in-fact.

SECTION 200 - AS 21.75.140: Editorial change to attorney-in-fact.

SECTION 201 - AS 21.75.150: Minor editorial changes.

SECTION 202 - AS 21.75.170: In accord with the NAIC model act, guidance is provided for the operation of the subscribers' advisory committee including the termination of members, rules for election of officers and chairperson, and calling special meetings. The responsibilities of the committee include those from existing law.

SECTION 203 - AS 21.75.200(a): Editorial change to attorney-in-fact.

SECTION 204 - AS 21.75.210: Minor editorial changes.

SECTION 205 - AS 21.75.230(a): Editorial change to attorney-in-fact.

SECTION 206 - AS 21.75.250: Editorial change to attorney-in-fact.

SECTION 207 - AS 21.75.270: Editorial change to attorney-in-fact.

SECTION 208 - AS 21.75.270: A new section from the NAIC model act allows a receiver to recover from the attorney-in-fact bonuses or settlements paid during the prior twelve months if the payments were known or should have been known to have adversely affected the reciprocal.

SECTION 209 - AS 21.75.350: A definition of material transactions is provided.

SECTION 210 - AS 21.78.325: An insurer in liquidation or rehabilitation may recover cash distributions made to controlling persons or officers, directors or employees for the twelve month period prior to insolvency. If the person receiving the distribution is insolvent, responsibility to reimburse goes to the parent company.

SECTION 211 - AS 21.84.010: Obsolete date language is deleted.

SECTION 212 - AS 21.84.350(a): The valuation of certificates in force required in the annual statement of each fraternal society must include an opinion of a qualified actuary determining that the reserves and related actuarial items held in support of the certificates are computed appropriately and are based on assumptions that satisfy contractual provisions and are consistent with prior reported amounts.

SECTION 213 - AS 21.84.480(b): Editorial change to reflect the fraternal benefit society limited producer license in Chapter 27.

SECTION 214 - AS 21.84.590: The provisions of Title 21 applicable to fraternal benefit societies is revised to reflect the financial requirements in Chapters 9, 18, and 21 and the licensing in Chapter 27.

SECTION 215 - AS 21.84.900: A new section locates all definitions that had previously been in separate sections into one section for consistent handling of definitions throughout the title.

SECTION 216 - AS 21.89.025(a): Premium reduction for drivers 55 years or older is clarified to reflect that the request must be made at renewal and that the driver must have had no chargeable accidents under the insurers established underwriting guidelines and no moving motor vehicle citations within the three years prior to the request for discount.

SECTION 217 - AS 21.89.025(c): An editorial change to reflect the amended subsection (a).

SECTION 218 - AS 21.89.035: / section requires that all automobile, homeowner, or dwelling policies include an appraisal clause to resolve a dispute between the insured and the insurer over the value of a first party property loss. Minimal procedures are provided for expediting the appraisal process.

This section will create an alternative dispute resolution mechanism. Without an appraisal clause, such disputes may have required costly litigation.

SECTION 219 - AS 21.90.900: Definitions for Title 21 is revised by incorporating common definitions applicable to the entire title that had been located in AS 21.33 and AS 21.34. Additional definitions reference the new license types in Chapter 27, the new attorney-in-fact license in Chapter 75, and other common definitions relating to the proposed statutory changes regarding financial transactions and operations of licensees.

SECTION 220 - AS 28.05.035: Revises statutory citation to conform with Section 216 above.

SECTION 221: This is the repealer section which lists miscellaneous provisions of the title repealed in conjunction with the changes noted above.

SECTION 222 - AS 21.18.110(m): Establishes the effective date of the actuarial opinion required by AS 21.18.110(m) as the annual statement for the year ending December 31, 1993.

SECTION 223: Provides effective dates for sections of this law which are to take effect January 1, 1994. These sections deal with recognition of other insurance regulatory jurisdictions only if they are accredited by the NAIC.

SECTION 224: This section provides that all other sections of the act take effect July 1, 1992.

5662c

Glossary of Terms:

agents, brokers, GM, intermediary etc
adjust (or)

in short, simple language

NMC



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

State Capitol
Juneau, AK 99801-1182

TO: House Labor and Commerce Committee

FROM: David Finkelstein

DATE: January 28, 1992

Last session the House Labor and Commerce Committee introduced five bills, HB 279 - HB 283, which added provisions to Alaska's insurance law which are required for accreditation by the National Association of Insurance Commissioners. All five bill passed out of our committee on May 9, 1991, and are now before the House Judiciary Committee.

The Insurance Reform Act of 1992 includes HB 279 - HB 283, as well as revisions to the insurance licensing statutes and various revisions to bring Alaska's insurance law up to date.

The list on the following page describes the major provisions of the Insurance Reform Act of 1992, and identifies which items were not included in HB 279 - HB 283.

Handwritten notes:
→ [unclear] (1-2-92)
Short paragraph on
insurance bill
passed out of
Life Insurance
at - [unclear] [unclear]

Response to Dorley's
concern last meeting

GV

To: David J. Walsh, Director

From: Gloria G. Glover, Insurance Financial Examiner

Date: January 30, 1992

Subject: Sec. 42, HB 425,
Re: Independent Directors

7/92

You have asked me to explain the need for the above referenced section regarding the requirement of

- 1) independent directors on the board of directors of Alaska domestic insurers and
- 2) committee(s) of independent directors for Alaska domestic insurers who select certified public accounting firms, review financial condition and audit reports, nominate candidates for director and evaluate director performance.

An independent director is one who is not an officer or employee of the insurer or any entity controlling the insurer, controlled by the insurer or under common control with the insurer. In addition an independent director does not benefit from owning a controlling interest in the voting stock of the insurer or any entity controlling or controlled by or under common control with the insurer.

The need for this section is to include in decisions of the board of directors the benefit of a person who will not be affected by the Board decision through employment or stock ownership. This will bring a balance to the management process of the board of directors and provide representatives who are more closely associated with the interests of policyholders.

This language is based on NAIC model law under the Insurance Holding Company System Regulatory Act. This language is considered optional in the NAIC model law and is presented in the model for adoption based on the need of particular jurisdictions. The inclusion of this requirement for independent directors in future Alaska domestic insurance companies goes beyond the NAIC requirements for accreditation.

What does
"surety"
mean
in the
insurance
context?

I need a
primer
on how
insurance
industry
works
such as
who is
managing
general agent

— detail types of convictions
— order Public Safety (?) to
make info available on
nationwide conviction
? — access by clients
company records to insurance

Amendments in Response to Committee Issues:

- Donley raised questions about the composition of insurance company boards (sec. 42) He was concerned because the sectional did not accurately reflect the bill in that area, and he mentioned the idea of limiting board membership of family members. The Division wrote a response to Donley, and Donley has not responded to my questions about what he may want to do to change the bill.
- Dave Hutchins came into our office concerned about the ambiguity of a sentence about election of members of a subscribers advisory committee. The Division wants the bill to have the effect Dave desires, and believes the bill is fine. However, Dave Walsh and I both want Dave Hutchins to be reassured and the amendment causes no harm. Hutchins will not be able to attend the meeting. ARECA has an insurance company for its utilities and a representative of each utility is on the subscriber board. Hutchins wants to make sure the board members can be reelected over and over.
- Rep. Taylor wanted insurance companies to be required to inform auto insurance holders over 55 years of age of the statutory safe driver discount. We have an amendment which would direct the Division to tell the companies how to inform their over 55 clients.
- Taylor raised concerns about the section which requires mandatory arbitration of the value of a loss (a totalled car for example). Taylor was concerned that the arbitrated amount would be final with no lawsuits possible. Dave Walsh does not feel court action is precluded by the bill, but we have amendments which would clear up the question of whether the arbitration is binding and who pays for the arbitration. There are four possible amendments: 2 make the arbitrator's decision binding, 2 make in non-binding. The other variable is payment. Two versions make the insurance company pay for everything except the policy holders advocate, and two version split the payment equally between the policy holder and the insurance company.
- Mike Ford wrote an amendment which reorganizes a section that he thinks is unclear. There is no policy effect. The section relates to life insurance policies with proceeds directed towards non-profits. Boyer's bill is in the Senate on its way to passage. HB 425 complements, but does not conflict with Boyer's bill.
- Rep. Bruckman raised concerns about the requirement that license holders inform the Division of any misdemeanor or felony convictions. The Division reassured her that the license holder just had to keep the Division informed, but would not necessarily lose the license. "Trustworthiness" is a criteria for a license (in existing law and the bill). The Division could decide a conviction denies trustworthiness. If the convicted person is a first time applicant, the license could be denied. If it is a current license holder, the Division could hold a hearing to decide if the license should be revoked or conditions set.

David F.

Explanations of HB 279 - HB 283 (which are all in H. Judiciary) w/ zero fiscal notes

Division of Insurance
March 1, 1991
HB 279 - Reinsurance credit,
reserves, securities and investments

The Division of Insurance currently has statutes dealing with rules on reinsurance, investments allowed insurers, and financial statement values to be reported for those investments. HB 279 adopts specific provisions that are part of model laws adopted by the National Association of Insurance Commissioners (NAIC) and included in the accreditation standards which were not present in our current law.

The bill:

- requires that companies becoming approved reinsurers in Alaska through being accredited by the division must file annual financial statements with the division;
 - adds requirements for a group of unincorporated insurers for becoming an approved reinsurer;
 - adds requirements for letters of credit that are being held by insurance companies to guarantee the reinsurance credit recorded on their financial statement;
 - allows the director the authority to increase all categories of claim reserves to make them adequate;
 - clarifies that mortgage loans may be valued at the appraised value and that real estate must be valued at lower of cost or market in conformance with statutory accounting;
- and
- limits the total amount of mortgage loans that may be held by an insurance company to ensure diversification of investments.

The division needs this legislation to meet accreditation standards of the NAIC. This bill adds accreditation requirements that were not included in prior statutes or were subsequently adopted by the NAIC.

HB 280 - Holding Companies

Division of Insurance
March 1, 1991

The Division of Insurance currently has statutes requiring registration and reporting of information by insurance companies who are a member of an insurance holding company system. An insurance holding company system is a group of two or more affiliated companies, one or more of which is an insurance company. HB 280 adopts specific provisions that are part of model laws adopted by National Association of Insurance Commissioners (NAIC) and included in the accreditation standards which were not present in our current law.

The bill:

- sets out what kinds of companies an insurance company may own as a subsidiary and gives other requirements for subsidiaries;
- provides criteria for evaluating the acquisition of an insurer by another insurer and the effects on market concentration of the sale;
- adds more standards which must be met for transactions between affiliates;
- clarifies the definition of an extraordinary dividend; and
- allows recovery on transactions from affiliated persons when an insurer is in liquidation or rehabilitation.

The division needs this legislation to meet accreditation standards of the NAIC. This bill adds accreditation requirements that were not included in prior statutes or were subsequently adopted by the NAIC.

HB 281 - Examination Bill

Division of Insurance
March 1, 1991

The Division of Insurance is required to conduct periodic examinations of all licensed insurance companies and has the authority to examine those holding any license from the division. HB 281 will adopt current model legislation on examinations adopted by National Association of Insurance Commissioners (NAIC) and included in the NAIC's accreditation standards.

The bill:

- adds criteria that may be used in determining what examination need to be performed;
- adds procedures for conducting the examination and adoption of the examination reports by the director;
- provides that after December 31, 1993, the director may only accept examination reports prepared by accredited states in lieu of the division conducting all company exams; and
- provides that insurance company accounting records must be kept in accordance with manuals adopted by the NAIC.

The division needs this legislation to meet the NAIC accreditation standards and to more clearly provide procedures for conducting examinations.

HB 282 - Managing General Agent

Division of Insurance
March 1, 1991

The Division of Insurance currently licenses agent, general agents, brokers and solicitors who conduct the business of insurance in Alaska. HB 282 modifies the term "general agent" to the more correct term "managing general agent" and adopts provisions in the National Association of Insurance Commissioners (NAIC) model law which has been adopted as a NAIC accreditation standard.

A managing general agent is a person who has been given authority by an insurance company to make decisions on its behalf regarding some aspect of the business normally conducted by the insurance company such as determining who will be insured, what claims will be paid, which agents will represent the company, etc. The bill;

- amends the term "general agent" to "managing general agent" in several locations of the statute;
- requires that a contract be in place between the managing general agent and the insurance company;
- sets out what the managing general agent may not do; and
- makes adjustments to the definition of persons which must be licensed under this category.

The division needs this legislation to meet accreditation standards of the NAIC. This bill adds requirements to the already existing licensing categories administered by the division.

The Division of Insurance is committed to obtaining accreditation from the NAIC signifying that we have met the minimum standard; of regulation as determined by NAIC. HB 283 will adopt current model legislation on licensing reinsurance intermediaries adopted by the National Association of Insurance Commissioners (NAIC) and included in the accreditation standards.

This bill will add two new categories of licensing to be administered by the Division. Those categories are reinsurance intermediary broker and reinsurance intermediary manager. A reinsurance intermediary broker is a person who is working for an insurance company to plan a program of reinsurance (placing part or all of an insurance risk written by one insurance company with another company) and negotiate those reinsurance contracts. A reinsurance intermediary manager is a person who, on behalf of an insurance company, negotiates and binds contracts for assuming reinsurance business from other insurance companies. The bill:

- sets the requirements for licensure;
- requires that contracts with insurance companies and the reinsurance intermediary be in place;
- requires that the reinsurance intermediary maintain records for transactions;
- and that insurance companies receive periodic financial information on the reinsurance intermediary.

The Division needs this legislation to meet the NAIC accreditation standards and to put in place a mechanism for regulating a person in the insurance industry that can have very significant affect on an insurance company's operations.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

State Capitol
Juneau, AK 99801-1182

TO: House Labor and Commerce Committee

FROM: David Finkelstein

DATE: January 28, 1992

Last session the House Labor and Commerce Committee introduced five bills, HB 279 - HB 283, which added provisions to Alaska's insurance law which are required for accreditation by the National Association of Insurance Commissioners. All five bill passed out of our committee on May 9, 1991, and are now before the House Judiciary Committee.

The Insurance Reform Act of 1992 includes HB 279 - HB 283, as well as revisions to the insurance licensing statutes and various revisions to bring Alaska's insurance law up to date.

The list on the following page describes the major provisions of the Insurance Reform Act of 1992, and identifies which items were not included in HB 279 - HB 283.

The bill includes the following:

- o incorporates the NAIC model law on examination of insurance companies including requirements for processing of examination reports;
- o adopts authority for regulations to adopt the NAIC model regulation on action available to the director when an insurer is found to be in hazardous financial condition;

New — o changes the date for premium tax payments from April 1 to March 1;

- o requires reinsurers accredited by the division to file financial statements annually and added requirements for accreditation of differing insurance organizations;
- o requires domestic insurers to obtain annual actuarial opinions on claim reserves and adds requirements for valuation of assets and claim reserves for financial statement presentation;
- o adopts limitations on the type of subsidiaries in which insurer may invest and limitations on subsidiary acquisitions which result in market concentration;
- o adopts limitations on investment in medium and lower grade bonds;
- o adopts rules on evaluating material transactions between affiliates and determining payment of extraordinary dividends;
- o requires annual filing of holding company registration statements;

New

- o restructures statute to consolidate all requirements and qualifications for licensing of insurance professionals in one chapter;
- o adopts biennial license renewal for insurance professionals;
- o adopts licensure of reinsurance intermediary brokers and reinsurance intermediary managers;
- o adopts additional requirements for licensure and operation of managing general agents;
- o requires that persons may not call themselves financial planners when they are only engaging in the business of insurance;

New

- o clarifies the 30-day limit on return of unearned premium to consumers who cancel insurance policies;
- o increases penalties for violations of the insurance statutes;
- o allows specific types of charitable organizations to be life insurance policyholders;
- o adopts financial requirements for title insurers that are similar to those required for other insurers;
- o requires licensing of attorneys-in-fact;
- o allows a receiver to recover distributions to affiliates of an insurer paid within 12 months of the liquidation or rehabilitation order;

New

- o adopts for fraternal benefit societies the requirement and limitations on other insurers for assets, investments, and licensing;
- o clarifies the timing and determination of eligibility for senior premium discounts; and
- o requires automobile and homeowner insurance policies to have an appraisal clause for settling claim disputes.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 425

BY THE HOUSE LABOR AND

COMMERCE COMMITTEE

Page 116, line 5:

Delete "(e)"

Insert "(d)"

Page 116, line 8, after "insured.":

Insert "A contract of life insurance described in this subsection is valid and binding between the parties despite the absence of an insurable interest as described in AS 21.42.020."

Page 116, lines 17 - 19:

Delete all material.

Reletter the following subsections accordingly.

Page 117, line 9:

Delete "(e)(4)"

Insert "(d)(4)"

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 425

BY THE HOUSE LABOR AND

COMMERCE COMMITTEE

Page 136, line 19:

Delete "and reelected"

Page 136, line 20, after "years.":

Insert "A member of the committee may be reelected to an unlimited number of terms."

* Sec. . AS 21.89.025 is amended by adding a new subsection
to read:
(d) The director may establish by regulation the manner in which
insurers inform applicants and insureds of the availability of this rate
reduction.

(over 55 safe driver
reduction)

MEMORANDUM

State of Alaska

TO: Dave Walsh
Director
Division of Insurance

DATE: February 24, 1992

FROM: Stan Garlington *SG*
Insurance Market Analyst
Division of Insurance
Department of Commerce
and Economic Development

SUBJECT: Senator Pearce Inquiry
SB 376

Senator Pearce's office is correct that the issues raised by John L. George and Associates on behalf of the American Council of Life Insurance have been addressed by amendments submitted to the Senate Labor & Commerce committee February 21, 1992. Changes 1, 3, 4, 7, 9, 10, 11, 17, and 19 of my February 21, 1992 implement consensus language developed in consultation with John George.

In regard to Sec 114, the division's original draft had included language referencing the use of regulations to define other undefined unfair methods, acts, or practices. However, Mike Ford in drafting the bill argued that the specific reference was unnecessary because the mechanism a director would use to define any undefined unfair methods, acts, or practices would be promulgation of regulations under AS 21.06.090. I see no harm in providing additional assurance by including a specific reference to regulations in the section. Attached is suggested language.

MEMORANDUM

State of Alaska

TO: Dave Walsh
Director
Division of Insurance

DATE: February 21, 1992

SUBJECT: Amendments

FROM: Stan Garlington *SG*
Insurance Market Analyst
Division of Insurance
Department of Commerce
and Economic Development

SB 376

Summary of Proposed Changes

Third Party Administrator Registration

The American Council of Life Insurers requested that third party administrators be licensed more in line with the NAIC Model Third Party Administrator Statute rather than as managing general agents. The division was able to develop acceptable consensus language for third party administrator registration. Changes 1, 3, 4, 7, 9, 10, 11, 17, and 19 implement this addition.

Attorney-in-fact License

Concern expressed regarding the lack of specifics in the proposed bill has been addressed by providing licensing procedures and qualifications. The effective date of the license requirement has been changed to 1/1/94 to accommodate a smooth transition. Changes 13, 14, and 20.

Premium Refund

Language is clarified that the 30 days begins 30 days from receipt of the request for cancellation or the effective date of cancellation, whichever is later. Change 12.

Mandatory Appraisal

Language is changed to address legislative concerns and public testimony before House Labor and Commerce. Change 15.

Misc Cleanup

Changes 2, 5, 6, 8, 16 and 18

AMENDMENT

OFFERED IN THE HOUSE
TO: HB 425

1. Page 7, line 5, a new section:

Insert "Sec __ AS 21.09.210(a) amended to read:

Each authorized insurer, and each formerly authorized insurer with respect to premiums received while an authorized insurer in this state, shall file with the director, on or before March 1 [2] in each year, a report of all insurance business written or contracted in the state (with proper proportionate allocation of premium for the property, subjects, or risks in the state insured under policies or contracts covering property, subjects, or risks located or resident in more than one state) during the preceding year ending December 31. The report shall show

(1) the amounts paid policyholders on losses;

(2) the total direct premium income including policy membership and other fees, premiums paid by application of dividends, refunds, savings coupon, and similar returns or credits to payment of premiums for new or additional or extended or renewed insurance, charges for payment of premium in installments, and all other consideration for insurance from all kinds and classes of insurance whether designated a premium or otherwise;

(3) the amounts paid policyholders as returned premiums;

(4) the amounts paid policyholders as dividends.

2. Page 10, line 3, after "accountant":

Insert "or , for Canadian or British insurers, an independent Canadian-chartered or British-chartered accountant."

3. Page 10, line 19, after "accountant":

Insert "or , for Canadian or British insurers, the member's independent Canadian-chartered or British-chartered accountant."

4. Page 34, line 23, after "only":

Insert: "investigates and adjusts"

Delete: "administers"

5. Page 34, line 31, after "agent":

Insert: ", if the person's compensation is not based on the volume of premium written,"

6. Page 35, line 1, after "manager":

Delete: "if the person's compensation is not based on the volume of premium written"

7. Page 35, line 9, after "of":

Delete "admitted"

Insert "foreign"

8. Page 35, line 10, after "by":

Insert "its resident"

Delete "the authorized"

9. Page 35, line 10, after " by":

Insert "its resident insurance regulator in a state that the director has determined has enacted provisions substantially similar to those contained in AS 21.27 that is accredited by the National Association of Insurance Commissioners"

Delete "the insurance regulator in the in which the person's principal place of business is located"

10. Page 37, line 26, after "in":

Insert "AS 21.27.270."

Delete "AS 21.27.330"

11. Page 31, line 12, a new section:

Insert "Sec __ AS 21.22.100(a) is amended to read:

A domestic insurer [SUBJECT TO REGISTRATION UNDER AS 21.22.060] may not pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until

(1) 30 days after the director has received notice of the declaration of the dividend or distribution and has not within that period disapproved its payment; or

(2) the director has approved its payment within the 30-day period.

12. Page 46, line 21, after "state":

Insert " ,or a surplus lines insurer on the most recent list of eligible surplus lines insurers published by the director, "

13. Page 58, line 24, after "business":

Insert "away from the place of business with clients or insurers unless a licensed insurance producer physically accompanies the trainee."

Delete "with clients or insurers unless a licensed insurance producer is physically present in the same place of business as the trainee or, if business is transacted away from the place of business, a licensed insurance producer physically accompanies the trainee."

14. Page 67, line 25, after "business":

Insert "away from the place of business with clients or insurers unless a licensed managing general agent physically accompanies the trainee "

Delete "with clients or insurers unless a managing general agent is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

15. Page 68, line 15, after "by":

Insert "its resident insurance regulator in a state that the director has determined has enacted provisions substantially similar to those contained in AS 21.27 that is accredited by the National Association of Insurance Commissioners when the managing general"

Delete "the agent's resident insurance regulator in a state that is accredited by the National Association of Insurance Commissioners when the "

16. Page 74, line 11, after "business":

Insert "away from the place of business with clients, insurers, or reinsurers unless a licensed reinsurance intermediary broker physically accompanies the trainee."

Delete "with clients, insurers, or reinsurers unless a reinsurance intermediary broker is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

17. Page 78, line 17, after "business":

Insert "away from the place of business with clients, insurers, or reinsurers unless a licensed reinsurance intermediary manager physically accompanies the trainee."

Delete "with clients, insurers, or reinsurers unless a reinsurance intermediary manager is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

18. Page 85, line 24, after "trainee":

Insert "surplus lines broker licensed under this section may not transact business away from the place of business with clients or insurers unless a licensed surplus lines broker physically accompanies the trainee."

Delete "licensed under this section may not transact business with clients or insurers unless a licensed surplus lines broker is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

19. Page 88, line 26, after "loss":

Insert "away from the place of business unless a licensed independent adjuster physically accompanies the trainee."

Delete "unless a licensed independent adjuster is physically present in the same place of business as the trainee or physically accompanies the trainee if an investigation and a tentative closing of a loss is transacted away from the place of business."

20. Page 106, line 26, after "AS 21.34.080":

Insert ", verify that coverage has been placed with eligible surplus lines insurers, "

Delete "that verify that coverage has been placed with eligible surplus lines insurers, that"

21. Page 148, line 4, after "ceding":

Insert "admitted"

22. Page 148, line 7, after "ceding":

Insert "admitted"

23. Page 148, line 11, after "of":

Insert "an admitted"

Insert "admitted"

AMENDMENT

OFFERED IN THE SENATE
TO: SB 376

1. Page 34, line 23, after "who":

Insert: "for residents of this state, or for residents of another jurisdiction from a place of business in this state, performs administrative functions such as claims administration and payment, marketing administrative functions, premium accounting, premium billing, coverage verification, underwriting authority, or certificate issuance only in regard to life insurance, disability insurance, or annuities is not required to be additionally licensed as a managing general agent if the person is registered under this chapter as a third party administrator or only investigates and adjusts claims and is licensed under this chapter as an independent adjuster."

Delete: "performs administrative functions, including claims administration and payment, marketing administrative functions, premium accounting, premium billing, coverage verification, underwriting authority, or certificate issuance in regard to insurance as a third-party administrator shall be licensed as a managing general agent unless the person only investigates and adjusts claims and is licensed under this chapter as an independent adjuster."

2. Page 66, line 30, after "bond"

Delete "with admitted insurers authorized to transact surety insurance"

3. Page 73, line 8,

Insert: "Sec. ____ AS 21.27 is amended by adding a new section to read:

ARTICLE 4. THIRD PARTY ADMINISTRATORS.

Sec. 21.27.640. REGISTRATION REQUIRED. (a) A person may not act as or represent to be a third party administrator in this state or relative to a subject resident, located, or to be performed in this state unless registered under this chapter or by another jurisdiction under AS 21.27.660. A person may not act as or represent to be a third party administrator representing an insurer domiciled in this state regarding a risk located outside this state unless registered by this state.

(b) A third party administrator may not transact business for a kind or class of insurance for which the person is not registered.

(c) A person who performs administrative functions, including claims administration and payment, marketing administrative functions, premium accounting, premium billing, coverage verification, underwriting authority, or certificate issuance in regard to insurance as a third party administrator shall be registered as a third party administrator unless the person only investigates and adjusts claims and is licensed under AS 21.27 as an independent adjuster.

(d) A third party administrator may not use a fictitious name or alias unless the licensee's legal name and fictitious name or alias are on the registration.

(e) A person who is an employee of an admitted insurer, who acts within the course and scope of that employment, and within the scope of the insurer's certificate of authority is not required to be registered under this section.

(f) A person who performs management services for an admitted insurer is not required to be registered as a third party administrator if the person's compensation is not based on the volume of premium written and the person

(1) is a wholly-owned subsidiary of the admitted insurer;

(2) wholly owns the admitted insurer;

(3) is a wholly-owned subsidiary of the insurance holding company that owns or controls the admitted insurer;

(4) is a United States manager of the United States branch of an alien admitted insurer; or

(5) is the manager of a group, association, pool, or organization of admitted insurers that does joint underwriting if it is subject to examination by the authorized insurance regulator in the state in which the person's principal place of business is located.

(g) A credit union or a financial institution subject to supervision or examination by federal or state banking authorities, or a mortgage lender, that performs no functions other than advancing premiums to the insurer and collecting a debt from the insured is not required to be registered as a third party administrator

(h) A credit card issuing company that performs no functions, including adjustment or settlement of claims, other than advancing and collecting premiums from its credit card holders who have authorized collection is not required to be registered as a third party administrator

(i) A person who exclusively provides services to bona fide employee benefit plans that are established by an employer or an employee organization, or both, for which the insurance laws of this state are preempted under the Employee Retirement Income Security Act of 1974, is not required to be additionally registered as a third party administrator if the person certifies to the director on or before February 1 of each year its exempt status.

(j) A third party administrator shall

(1) apply for registration under the procedures of AS 21.27.040;

(2) renew its registration under the procedures of AS 21.27.380; and

(3) be subject to hearings and orders on violations; denial, nonrenewal, suspension, or revocation of registration; penalties; and surrender of registration under the procedures of AS 21.27.405-21.27.460;

Sec. 21.27.650. THIRD PARTY ADMINISTRATOR QUALIFICATIONS.

(a) For the protection of the people of this state, the director may not issue or renew a registration except in compliance with this chapter and may not issue a registration to a person, or to be exercised by a person, found by the director to be untrustworthy, incompetent, financially irresponsible, or

who has not established to the satisfaction of the director that the person is qualified under this chapter.

(b) To qualify for issuance or renewal of a registration, an applicant or registrant shall comply with this title and

(1) be a trustworthy person;

(2) have active working experience in administrative functions which, in the director's opinion, exhibits the ability to competently perform the administrative functions of a third party administrator;

(3) not have committed an act that is a cause for denial, nonrenewal, suspension, or revocation of a registration in this state or another jurisdiction;

(4) if a corporation or partnership,

(A) maintain a lawfully established place of business as described in AS 21.27.330 in this state, except as provided in AS 21.27.270;

(B) disclose to the director all officers, directors, or partners, and whether or not they are licensed in this state or another jurisdiction;

(C) designate an officer or partner responsible for the firm's compliance with the insurance statutes and regulations of this state.

(5) provide in or with its application

(A) all basic organizational documents of the third party administrator, including any articles of incorporation, articles of association, partnership agreement, trade name certificate, trust agreement, shareholder agreement and other applicable documents and all endorsements to such documents;

(B) the bylaws, rules, regulations or similar documents regulating the internal affairs of the administrator;

(C) the names, mailing addresses, physical addresses, official positions, and professional qualifications of persons who are responsible for the conduct of affairs of the third party administrator; including all members of the board of directors, board of trustees, executive committee or other governing board or committee; the principal officers in the case of a corporation or the partners or members in the case of partnership or association;

shareholders holding directly or indirectly 10 per cent or more of the voting securities of the third party administrator; and any other person who exercises control or influence over the affairs of the third party administrator;

(D) certified financial statements for the prior two years prepared by an independent certified public accountant which establish that the applicant is solvent, that the applicant's system of accounting, internal control, and procedure is operating effectively to provide reasonable assurance that money is promptly accounted for and paid to the person entitled to the money, and any other information that the director may require to review the current financial condition of the applicant; and

(E) a statement describing the business plan including information on staffing levels and activities proposed in this state and in other jurisdictions and providing details establishing the third party administrator's capability for providing a sufficient number of experienced and qualified personnel in the areas of claims handling, underwriting, and record keeping;

(6) provide to the director documents necessary to verify the statements contained in or in connection with the application;

(7) notify the director within 30 days in writing by certified mail of a change in principal or manager, residence, place of business, mailing address, phone number; suspension or revocation of an insurance license or registration by another state or jurisdiction; or a conviction of a misdemeanor or felony of the third party administrator, its officers, directors, partners, owners, or employees; and

(8) provide the director on January 1, April 1, July 1, and October 1 of each year

(A) a list of current employees, identifying those transacting business in this state or upon subjects resident, located or to be performed in this state;

(B) a list of current insurers under contract; and

(C) other information the director may require.

(c) The director may adopt regulations establishing additional education or experience requirements for applicants or registrants under this chapter.

(d) The director may require that a third party administrator maintain

(1) a bond as described in AS 21.27.190 in an amount acceptable to the director and conditioned in that the third party administrator will conduct business as required by this title; and

(2) an errors and omissions insurance policy acceptable to the director.

(e) If the director finds that the applicant or registrant is qualified and that application, registration, or renewal fees have been paid, the director may issue or renew the registration.

Sec. 21.27.660. OPERATING REQUIREMENTS FOR THIRD PARTY ADMINISTRATORS. (a) An insurer may not transact business with a third party administrator unless

(1) the insurer holds a certificate of authority in this state;

(2) the third party administrator is registered under this chapter or, when the third party administrator is operating only for a foreign insurer, is registered as a third party administrator by the third party administrator's resident insurance regulator in a state that the director has determined has enacted provisions substantially similar to those contained in AS 21.27.640 - 21.27.660 and that is accredited by the National Association of Insurance Commissioners, if the third party administrator provides the director on January 1, April 1, July 1, and October 1 of each year

(A) a list of current employees, identifying those transacting business in this state or upon subjects resident, located or to be performed in this state;

(B) a list of current insurers under contract; and

(C) other information the director may require.

(3) a written contract is in effect between the parties that establishes the responsibilities of each party, indicates both party's share of responsibility for a particular function, and specifies the division of responsibilities;

(4) a written contract between an insurer and a third party administrator contains the following provisions:

(A) the insurer may terminate the contract for cause upon written notice sent by certified mail to the third party

administrator and may suspend the underwriting authority of the third party administrator during a dispute regarding the cause for termination; but the insurer must fulfill all lawful obligations with respect to policies affected by the written agreement, regardless of any dispute between the insurer and the third party administrator.

(B) the third party administrator shall render accounts to the insurer detailing all transactions and remit all money due under the contract to the insurer at least monthly;

(C) all money collected for the account of an insurer shall be held by the third party administrator in a fiduciary account as described under AS 21.27.360;

(D) the third party administrator shall comply with all applicable fiduciary account statutes and regulations;

(E) a fiduciary account shall be used for all payments on behalf of the insurer;

(F) the third party administrator may not retain more than three months estimated claims payments and allocated loss adjustment expenses;

(G) the third party administrator shall maintain separate records for each insurer in a form usable by the insurer; the insurer or its authorized representative shall have the right to audit and the right to copy all accounts and records related to the insurer's business; the director, in addition to authority granted in this title, shall have access to all books, bank accounts, and records of the third party administrator in a form usable to the director; any trade secrets contained in books and records reviewed by the director, including the identity and addresses of policyholders and certificateholders, shall be kept confidential, except that the director may use the information in a proceeding instituted against the third party administrator or the insurer.

(H) the contract may not be assigned in whole or in part by the third party administrator;

(I) if the contract permits the third party administrator to do underwriting, the contract must include the following:

(i) the third party administrator's maximum annual premium volume;

(ii) the rating system and basis of the rates to be charged;

(iii) the types of risks that may be written;

(iv) maximum limits of liability;

(v) applicable exclusions;

(vi) territorial limitations;

(vii) policy cancellation provisions;

(viii) the maximum policy term; and

(ix) that the insurer shall have the right to cancel or not renew a policy of insurance subject to applicable state law;

(J) if the contract permits the third party administrator to settle claims on behalf of the insurer, the contract must include the following:

(i) written settlement authority must be provided by the insurer and may be terminated for cause upon the insurer's written notice sent by certified mail to the third party administrator or upon the termination of the contract, but the insurer may suspend the settlement authority during a dispute regarding the cause of termination;

(ii) claims shall be reported to the insurer within 30 days;

(iii) a copy of the claim file shall be sent to the insurer upon request or as soon as it becomes known that the claim has the potential to exceed an amount determined by the director or exceeds the limit set by the insurer, whichever is less; involves a coverage dispute; may exceed the third party administrator's claims settlement authority; is open for more than six months; involves extra contractual allegations; or is closed by payment in excess of an amount set by the director or an amount set by the insurer, whichever is less;

(iv) each party to the contract shall comply with unfair claims settlement statutes and regulations;

(v) transmission of electronic data must occur at least monthly if electronic claim files are in existence; and

(vi) claim files shall be the sole property of the insurer; upon an order of liquidation of the insurer, the third party administrator shall have reasonable access to and the right to copy the files on a timely basis;

(K) the contract may not provide for commissions, fees, or charges contingent upon savings effected in the adjustment, settlement, and payment of losses covered by the insurers obligations; but a third party administrator may receive performance-based compensation for providing hospital or other auditing services or may receive compensation based on premiums or charges collected or the number of claims paid or processed;

(L) if the insurer is domiciled in this state or the third party administrator has a place of business in this state, a copy of the contract must be filed with and approved by the director at least 30 days before the third party administrator transacts business on behalf of the insurer; and

(M) if the contract is not required to be approved in advance by the director, the insurer shall provide written notification to the director within 30 days of the entry into or termination of a contract with a third party administrator; the notice must include a statement of duties to be performed by the third party administrator on behalf of the insurer, the kinds and classes of insurance for which the third party administrator has authorization to act, and other information required by the director.

(b) If the contract provides for the third party administrator to receive or collect premiums, payment by or on behalf of the insured of premiums for insurance to the third party administrator shall be deemed to have been received by the insurer; payment of return premiums or claim payments forwarded by the insurer to the third party administrator shall not be deemed to have been received by the person entitled to the money until the payments are received by the insured or claimant; nothing in this subsection limits the rights that the insurer may have against the administrator resulting from the failure of the administrator to make payments to persons entitled to money.

(c) Policies, certificates, booklets, termination notices or other written communications delivered by the insurer to the third party administrator for delivery to the insured or covered individuals shall be delivered by the third party administrator within 10 days after receipt of instructions from the insurer to deliver them.

(d) When the services of a third party administrator are utilized, the third party administrator shall provide a written notice approved in writing by the insurer to a covered person advising the person the identity and relationship among the third party administrator, the policyholder, and the insurer;

(e) The third party administrator may not

(1) bind reinsurance or retrocessions on behalf of the insurer;

(2) commit the insurer to participate in insurance or reinsurance syndicates;

(3) appoint a subagent unless the scope of the subagent's license as an insurance producer includes the kinds and classes of insurance for which the subagent is appointed and there is in effect a written agency agreement that specifically sets out the duties, functions, powers, authority, and compensation of all parties to the contract;

(4) pay or commit the insurer to pay a claim, net of reinsurance, the amount of which exceeds one percent of the insurer's policyholder's surplus as of December 31 of the last completed calendar year without the prior written approval of the insurer for the settlement and the approval is received after the insurer has been notified in writing that the claim settlement will exceed one percent of the insurer's policyholder's surplus as of December 31 of the last completed calendar year;

(5) collect a payment from a reinsurer or commit the insurer to a claim settlement with a reinsurer without prior written approval of the insurer, but if prior written approval is given, a complete report must be forwarded to the insurer within 30 days;

(6) serve on the insurer's board of directors;

(7) jointly employ an individual who is employed by the insurer;

(8) delegate third party administrator authority to another person;

(9) solicit applications for insurance or renewals of insurance directly through employees or by appointments of insurance producers as its subagents under the procedures of AS 21.27.100 - 21.27.110 unless its employees or the insurance producers are licensed for the kinds or classes of insurance and the solicitation or renewals are within the scope of authority granted by the insurer contracting with the third party administrator; or

(10) advertise the business underwritten by an insurer unless the advertising has been approved in writing by the insurer in advance of its use.

(f) In a form acceptable to the director, a third party administrator shall annually provide and an insurer shall annually obtain a copy of certified financial statements prepared by an independent certified public accountant of each third party administrator with which the insurer has done business.

(g) In addition to any other required loss reserve certification, if a third party administrator establishes loss reserves, the insurer shall annually obtain the opinion of an independent qualified actuary attesting to the adequacy of loss reserves established for losses incurred and outstanding on business produced by the third party administrator. The insurer retains an independent responsibility to determine the adequacy of its loss reserves, including those established by its third party administrators.

(h) If a third party administrator provides services for more than 100 certificateholders on behalf of an insurer, the insurer shall at least semiannually conduct a review of the operations of the third party administrator, at least one of which must be an on-site review.

(i) A third party administrator shall maintain records as described in AS 21.27.350.

(j) An insurer may not appoint to its board of directors an officer, director, employee, subagent, insurance producer, or controlling shareholder of its third party administrator.

(k) An actual or apparently authorized act of the third party administrator is considered to be the act of the insurer upon whose behalf the third party administrator is acting.

(l) A third party administrator may be examined by the director under AS 21.06.120 as if it were the insurer.

(m) If the director determines after a hearing under AS 21.06.170 - 21.06.240 that a third party administrator caused loss arising out of a violation of AS 21.27.640 - 21.27.660 to an insurer, the director may order the third party administrator to reimburse the insurer, the rehabilitator, or the liquidator of the insurer for the loss. Reimbursement ordered under this subsection is in addition to any other liability of the third party administrator and does not affect the rights of a policyholder, claimant, creditor, or third party.

(n) In addition to any other penalty provided by law, a person who violates this section is subject to the penalties provided under AS 21.27.440 and an insurer's certificate of authority may be suspended or revoked."

4. Page 73, line 8, after "ARTICLE":

Insert: "5"

Delete: "4"

5. Page 73, line 16, after "(1)"

Delete "an in-force, unimpaired"

6. Page 73, line 16, after "bond"

Delete "with admitted insurers authorized to transact surety insurance"

7. Page 77, line 14, after "ARTICLE":

Insert: "6"

Delete: "5"

8. Page 77, line 30, after "bond"

Delete "with admitted insurers authorized to transact surety insurance"

9. Page 84, line 19, after "ARTICLE":

Insert: "7"

Delete: "6"

10. Page 87, line 10, after "ARTICLE":

Insert: "8"

Delete: "7"

11. Page 90, line 9, after "ARTICLE":

Insert: "9"

Delete: "8"

12. Page 114, line 11

Insert " (A) within 30 days of receipt of the request for cancellation or the effective date of cancellation, which ever is later, on a policy not subject to audit; or

(B) within 30 days completion of an audit; the insurer shall perform and complete an audit within 30 days of receipt of the request for cancellation or the effective date of cancellation, which ever is later, unless the audit cannot reasonably be completed using due diligence and the insured is advised in writing of the reason why additional time is necessary to complete the audit and when the audit will be completed.

Delete " (A) within 30 days on a policy not subject to audit; or

(B) within 30 days of completion of an audit; the insurer shall perform and complete an audit within 30 days unless the audit cannot reasonably be completed using due diligence and the insured is advised in writing of the reason why additional time is necessary to complete the audit and when the audit will be completed.

13. Page 129, line 13, after "ATTORNEYS-IN-FACT"

Insert "(a)"

14. Page 129, line 21, after "insurer."

Insert "(b) For the protection of the people of this state, the director may not issue or renew a license to a person, or to be exercised by a person, found by the director to be untrustworthy, incompetent, financially irresponsible, or who has not established to the satisfaction of the director that the person is qualified under this chapter.

(c) To qualify for issuance or renewal of a license, an applicant or license shall comply with this title and

(1) be a trustworthy person;

(2) have active working experience in administrative functions which, in the director's opinion, exhibits the ability to competently perform the administrative functions of an attorney-in-fact;

(3) not have committed an act that is a cause for denial, nonrenewal, suspension, or revocation of a license in this state or another jurisdiction;

(4) have and maintain a lawfully established place of business physically accessible to the public where the attorney-in-fact principally conducts transactions under the license in this state, or if for a foreign reciprocal, in the state domicile;

(5) disclose to the director all officers, directors, partners, principals, or manager and whether or not they are licensed in this state or another jurisdiction;

(6) designate an officer, partner, or principal responsible for the firm's compliance with the insurance statutes and regulations of this state.

(7) provide certified financial statements for the prior two years prepared by an independent certified public accountant which establish that the applicant is solvent, that the applicant's system of accounting, internal control, and procedure is operating effectively to provide reasonable assurance that money is promptly accounted for and paid to the person entitled to the money, and any other information that the director may require to review the current financial condition of the applicant; and

(8) provide to the director documents necessary to verify the statements contained in or in connection with the application;

(9) notify the director within 30 days in writing by certified mail of a change in officer, director, partner, principal, or manager; place of business; mailing address; phone number; suspension or revocation of an insurance license by another state or jurisdiction; or a conviction of a misdemeanor or felony of the attorney-in-fact, its officers, directors, partners, owners, or employees; and

(d) The director may adopt regulations establishing education requirements, experience requirements, or examination requirements for applicants or licensees under this chapter.

(e) The director may require that an attorney-in-fact maintain an errors and omissions insurance policy acceptable to the director.

(f) If the director finds that the applicant or licensee is qualified and that application, license, or renewal fees set under AS 21.06.250 have been paid, the director may issue or renew the license.

(g) The license shall be renewed each year by the attorney-in-fact when the annual statement is filed under AS 21.75.130.

(h) An attorney-in-fact shall be subject to hearings and orders on violations; denial, nonrenewal, suspension, or revocation of license; penalties; and surrender of license under the procedures of AS 21.27.405 - 21.27.460."

15. Page 143, line 25, after "APPRAISAL"

Insert "A motor vehicle or similar policy, a policy providing property coverage, or any other policy providing first party property, casualty, or inland marine coverage, issued or delivered in this state, must include an appraisal clause providing a contractual means to resolve a dispute between the insured and the insurer over the value of a covered first party loss for real property, personal property, business property, or similar risks. If the insured and the insurer fail to agree on the amount of such a covered first party loss, either may make written demand upon the other to submit the dispute for appraisal. Within 10 days of the written demand, the insured and insurer must notify the other of the competent appraiser each has selected. The two appraisers will promptly choose a competent and impartial umpire. No later than 15 days after the umpire has been chosen, unless the time period is extended by the umpire, each appraiser will separately state in writing the amount of the loss. If the appraisers submit a written report of agreement on the amount of the loss, the agreed amount will be binding upon the insured and insurer. If the appraisers fail to agree, the appraisers will promptly submit their differences to the umpire. A decision agreed to by one of the appraisers and the umpire will be binding upon the insured and insurer. All expenses and fees, not including counsel or adjuster fees, incurred because of the appraisal shall be paid as determined by the umpire. Except as specifically provided, nothing in this section is intended to or shall in any manner limit or restrict the rights of insureds or insurers or confer any rights to such persons."

Delete "An automobile, homeowner, or dwelling policy issued or delivered in the state must include an appraisal clause providing a contractual means to pursue a dispute over the value of an insured's property loss. The appraisal right shall be the insured's first right of appeal. The insured may invoke the right of appraisal by giving written notice to the insurer of the insured's intent. The notice must include the name, address, and phone number of an appraiser of the insured's choice. Within 10 working days from receipt of information, the insurer shall provide the name, address, and phone number of an independent appraiser of the insurer's choice to the insured. The appraiser shall provide final appraisals within 30 working days from the date of the

written demand by the insured to invoke the appraisal provision. If a mutual value is not agreed upon by the two appraisals, the appraisers shall select a third appraiser. A valuation in writing agreed upon by two of the three appraisers shall determine the amount of the loss. The insured and insurer shall pay the cost of their own appraisals and the expense of a third appraiser shall be divided equally between them

16. Page 147, line 7, after "more"

Insert "admitted"

17. Page 147, line 11, after "issuance":

Delete: "'managing general agent' includes a third-party administrator"

18. Page 148, line 5, after "assuming"

Insert "admitted"

19. Page 148, line 27, after "who"

Insert: "for residents of this state, or for residents of another jurisdiction from a place of business in this state, performs administrative functions such as claims administration and payment, marketing administrative functions, premium accounting, premium billing, coverage verification, underwriting authority, or certificate issuance in regard to life insurance, disability insurance, or annuities;"

Delete: "performs administrative functions such as claims administration and payment, marketing administrative functions, premium accounting, premium billing, coverage verification, underwriting authority, or certificate issuance in regard to insurance;"

20. Page 149, line 22, after "94"

Insert ", 95, and 188"

Delete "and"

#1.

already in HB 429

BY: Division of Insurance

TO: Page 7, line 5 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

Insert new section:

"Sec ____ AS 21.09.210(a) is amended to read:

Each authorized insurer, and each formerly authorized insurer with respect to premiums received while an authorized insurer in this state, shall file with the director, on or before March 1 [2] in each year, a report of all insurance business written or contracted in the state (with proper proportionate allocation of premium for the property, subjects, or risks in the state insured under policies or contracts covering property, subjects, or risks located or resident in more than one state, during the preceding year ending December 31. The report shall show

(1) the amounts paid policyholders on losses;

(2) the total direct premium income including policy membership and other fees, premiums paid by application of dividends, refunds, savings coupon, and similar returns or credits to payment of premiums for new or additional or extended or renewed insurance, charges for payment of premium in installments, and all other consideration for insurance from all kinds and classes of insurance whether designated a premium or otherwise;

(3) the amounts paid policy holders as returned premiums;

(4) the amounts paid policy holders as dividends.

Renumber other sections accordingly.

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Changes date for filing annual statement to language that is consistent throughout the title.

#2

BY: Division of Insurance

TO: Page 10, line 3 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "accountant":

Insert: "or,, for Canadian or British insurers, an independent Canadian-chartered or British-chartered accountant."

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Adds reference to Canadian and British equivalent of American CPA. Also makes it for cross-border insurance transactions.

#3

BY: Division of Insurance

TO: Page 10, line 19 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "accountant":

Insert: "or, for Canadian or British insurers, the member's independent Canadian-chartered or British-chartered accountant."

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Adds reference to Canadian and British equivalent of American CPA. Also makes it for cross-border insurance transactions.

#4

BY: Division of Insurance

TO: Page 34, line 23 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "only":

Insert: "investigates and adjusts"

Delete: "administers"

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Makes the language more precise.

#5

BY: Division of Insurance

TO: Page 34, line 31 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "agent":

Insert: ", if the person's compensation is not based on the volume of premium written,"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Makes it clear that reinsurance intermediary managers are not limited whereas managing general agents are.

Based on language of the National Association of Insurance Commissioners.

#6

BY: Division of Insurance

TO: Page 35, line 1 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "manager":

Delete: "if the person's compensation is not based on the volume of premium written"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Makes it clear that reinsurance intermediary managers are not limited whereas managing general agents are.

Based on language of the National Association of Insurance Commissioners.

#7

BY: Division of Insurance

TO: Page 35, line 9 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "of":

Delete: "admitted"

Insert: "foreign"

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Clears up ambiguity as to licensing requirements for managers of insurance pools and brings it in line with industry practice and the National Association of Insurance Commissioners models.

#8.

BY: Division of Insurance

TO: Page 35, line 10 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "by":

Insert: "its resident"

Delete: "the authorized"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Makes the language more precise.

#9

BY: Division of Insurance

TO: Page 35, line 10 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "by":

Insert: "its resident insurance regulator in a state that the director has determined has enacted provisions substantially similar to those contained in AS 21.27 that is accredited by the National Association of Insurance Commissioners"

Delete: "the insurance regulator in the state in which the person's principal place of business is located"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Clarifies the language and brings the section into line with the language used throughout.

10

BY: Division of Insurance

TO: Page 37, line 26 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "except":

Insert: "when licensed as a nonresident as provided in AS 21.27.270."

Delete: "AS 21.27.330"

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Spells out licensing requirements more accurately.

#11

BY: Division of Insurance

TO: Page 31, line 12 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

Insert new section:

"Sec ___ AS 21.22.100(a) is amended to read:

A domestic insurer [SUBJECT TO REGISTRATION UNDER AS 21.22.060] may not pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until

(1) 30 days after the director has received notice of the declaration of the dividend or distribution and has not within that period disapproved its payment; or

(2) the director has approved its payment within the 30-day period.

Renumber other sections accordingly.

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Change is made to treat domestic insurers the same as other insurers in regards to extraordinary dividends.

Suggested by the industry and concurred with by the Division of Insurance.

#12

BY: Division of Insurance

TO: Page 46, line 21 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "state":

Insert: " , or a surplus lines insurer on the most recent list of eligible surplus lines insurers published by the director, "

SPONSOR STATEMENT:

Industry suggestion to make sure there is adequate market availability for bonds.

#13

BY: Division of Insurance

TO: Page 58, line 24 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "business":

Insert: "away from the place of business with clients or insurers unless a licensed insurance producer physically accompanies the trainee."

Delete: "with clients or insurers unless a licensed insurance producer is physically present in the same place of business as the trainee or, if business is transacted away from the place of business, a licensed insurance producer physically accompanies the trainee."

SPONSOR STATEMENT:

For Trainee Licensees - eliminates the requirement that a licensed person be physically present at all times in the same place of business.

Industry Suggestion.

#14

BY: Division of Insurance

TO: Page 67, line 25 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "business":

Insert: "away from the place of business with clients or insurers unless a licensed managing general agent physically accompanies the trainee "

Delete: "with clients or insurers unless a managing general agent is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

SPONSOR STATEMENT:

For Trainee Licensees - eliminates the requirement that a licensed person be physically present at all times in the same place of business.

Industry suggestion.

#15

BY: Division of Insurance

TO: Page 68, line 15 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "by":

Insert: "its resident insurance regulator in a state that the director has determined has enacted provisions substantially similar to those contained in AS 21.27 that is accredited by the National Association of Insurance Commissioners when the managing general"

Delete: "the agent's resident insurance regulator in a state that is accredited by the National Association of Insurance Commissioners when the "

SPONSOR STATEMENT:

TECHNICAL AMENDMENT

Clarifies the accreditation language and brings the section into line with the language used throughout.

#16

BY: Division of Insurance

TO: Page 74, line 11 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "business":

Insert: "away from the place of business with clients, insurers, or reinsurers unless a licensed reinsurance intermediary broker physically accompanies the trainee."

Delete: "with clients, insurers, or reinsurers unless a reinsurance intermediary broker is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

SPONSOR STATEMENT:

For Trainee Licensees - eliminates the requirement that a licensed person be physically present at all times in the same place of business.

Industry suggestion.

#17

BY: Division of Insurance

TO: Page 78, line 17 SENATE BILL NO. 376

TO: _____ HOUSE BILL NO. _____

After "business":

Insert: "away from the place of business with clients, insurers, or reinsurers unless a licensed reinsurance intermediary manager physically accompanies the trainee."

Delete: "with clients, insurers, or reinsurers unless a reinsurance intermediary manager is physically present in the same place of business as the trainee or physically accompanies the trainee if business is transacted away from the place of business."

SPONSOR STATEMENT:

For Trainee Licensees - eliminates the requirement that a licensed person be physically present at all times in the same place of business.

Industry suggestion.