

ALASKA

LEGISLATURE

COMMITTEE

FILES

1991-1992

8672

7086

HOUSE

LABOR

&

COMMERCE

#18

BY: Division of Insurance

TO: Page 85, line 24 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

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."

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.

#19

BY: Division of Insurance

TO: Page 88, line 26 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

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."

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.

#2

BY: Division of Insurance

TO: Page 106, line 26 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

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"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Clarifies what surplus lines associations can do.

#21

BY: Division of Insurance

TO: Page 148, line 4 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

After "ceding":

Insert: "admitted"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Clarifies language.

#22

BY: Division of Insurance

TO: Page 148, line 7 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

After "ceding":

Insert: "admitted"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Clarifies language.

#23

BY: Division of Insurance

TO: Page 148, line 11 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

After "of":

Insert: "an admitted"

Delete: "a"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Clarifies language.

#24

BY: House Labor & Commerce Committee

TO: Page 136, line 19 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

Delete: "and reelected"

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Ensures that board members can be reelected.

Suggested by the Alaska Rural Electric Cooperative Association

25

BY: House Labor & Commerce Committee

TO: Page 136, line 20 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

After "years.":

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

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Ensures that board members can be reelected.

Suggested by the Alaska Rural

#26

BY: House Labor and Commerce Committee

TO: Page 143, line 24 SENATE BILL NO. 376

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

Insert new section:

"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.

Renumber other sections accordingly.

SPONSOR STATEMENT:

EDITORIAL AMENDMENT

Ensures that senior citizens are aware of insurance discounts to which they are entitled.

#27

Not in CSAB 425

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 34, line 23

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

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."

SPONSOR STATEMENT: 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.

#28

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 66. line 23

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "bond":

Delete: "with admitted insurers authorized to transact surety insurance"

SPONSOR STATEMENT: Editorial change to be consistent with AS 21.27.190.

#29

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 73. line 8

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert new section:

"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."

SPONSOR STATEMENT: 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.

#30

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 73, line 8

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "ARTICLE":

Insert: "5"

Delete: "4"

SPONSOR STATEMENT: 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.

#31

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 73, line 16

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "(1)":

Delete: "an in-force, unimpaired"

SPONSOR STATEMENT: Editorial change to be consistent with AS 21.27.190.

#32

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 77, line 14

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "ARTICLE":

Insert: "6"

Delete: "5"

SPONSOR STATEMENT: 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.

# 33

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 77, line 30

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "bond":

Delete: "with admitted insurers authorized to transact surety insurance"

SPONSOR STATEMENT: Editorial change to be consistent with AS 21.27.190.

#34

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 84. line 19

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "ARTICLE":

Insert: "7"

Delete: "6"

SPONSOR STATEMENT: 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.

#35

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 87, line 10

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "ARTICLE":

Insert: "8"

Delete: "7"

SPONSOR STATEMENT: 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.

#30

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 90. line 9

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "ARTICLE":

Insert: "9"

Delete: "8"

SPONSOR STATEMENT: 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.

#37

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 114, line 11

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

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."

SPONSOR STATEMENT: Language is clarified that the 30 days begins 30 days from receipt of the request for cancellation or the effective date of cancellation, which ever is later.

#38

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 129. line 13

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "ATTORNEYS-IN-FACT":

Insert: "(a)"

SPONSOR STATEMENT: 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.

#39

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 129. line 21

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

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."

SPONSOR STATEMENT: 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.

#40

# SENATE AMENDMENT

BY: Division of Insurance

TO: Page 143, line 25

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

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"

SPONSOR STATEMENT: Language is changed to address legislative concerns and public testimony before House Labor and Commerce.

#41

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 147, line 7

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "more":

Delete: "admitted"

SPONSOR STATEMENT: Editorial change for clarity.

# 42

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 147, line 11

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "issuance":

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

SPONSOR STATEMENT: 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.

#43

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 148, line 11

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "assuming":

Delete: "admitted"

SPONSOR STATEMENT: Editorial change for clarity.

#44

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 148. line 27

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

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;"

SPONSOR STATEMENT: 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.

#45

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 149. line 22

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "94":

Insert: ", 95,and 188"

Delete: "and"

SPONSOR STATEMENT: 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.

46

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 114. line 26

SENATE BILL NO. 376

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "may":

Insert: "adopt regulations to"

SPONSOR STATEMENT: The American Council of Life Insurers requested that the mechanism for the director to define "other methods of competition and other acts and practices in the conduct of the business of insurance found by the director to be unfair or deceptive" be clarified to specifically reference the use of regulations. The division had originally proposed such language in its draft legislative proposal.

#48

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 1, line 9

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "years":

Insert: "Unless the director determines that there is a clear and present danger of the imminent wasting of the insurer's assets, when the director intends to conduct an interim examination of a domestic insurer covering the same subjects as included in the scope of the last examination report within three years of the start of the last examination, the director must give at least 10 days prior written notice stating the scope and purpose of the examination, and the interim examination shall be limited to the scope and purpose stated in the notice "

*Per Mike, new (g) w/ the dict ... three yrs. add to (f)? S 3/6/92*

SPONSOR STATEMENT: Industry was concerned that a domestic insurer may be subjected to repeated triennial examinations without notice. The division felt that the remaining language gives sufficient scope to its authority to meet its responsibilities.

# 49

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 1, line 14

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "regulation":

Delete: "amount or type of risk being assumed, degree to which the activity is in the public interest"

SPONSOR STATEMENT: Industry was concerned that this lanaguage was overly broad and ambiguous. The division felt that the remaining language gives sufficient scope to its authority to meet its responsibilities.

#50

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 2. line 3

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "material"

Insert: "authorized by this title that the director determines is appropriate"

Delete: "that the director determines is relevant"

SPONSOR STATEMENT: Clarifies intent

#51

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 3, line 26

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "examiner":

Insert: "This subsection does not apply to material subject to the insurer's attorney-client privilege."

SPONSOR STATEMENT: Industry requested clarification that its certificate of authority would not be suspended or revoked if the insurer or its attorney at law legitimately exercised its attorney-client privilege.

#52

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 4. line 7

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "the":

Insert: "reasonable"

SPONSOR STATEMENT: Clarifies intent

#53

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 4, line 14

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "examination"

Insert: "as authorized by this title. The director may adopt by regulation other guidelines or procedures consistent with this title"

Delete: "as given by the director or the director's designee. The director may also employ other guidelines or procedures that the director finds appropriate"

SPONSOR STATEMENT: Clarifies. Is not intended to limit the existing authority of the director in regard to market conduct examinations.

#54

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 5, line 11

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "examined"

Insert: "an <sup>period</sup> opportunity of 30 days, or such additional time as the director may allow,"

Delete: "a reasonable <sup>period</sup> opportunity of not more than 30 days"

*see with*

SPONSOR STATEMENT: Gives the director the ability to give a person examined additional time to respond to a proposed examination report when appropriate.

# 55

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 5, line 25

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "use"

Delete: "and, if appropriate, make public"

SPONSOR STATEMENT: Industry was concerned with publishing incomplete examination reports without permission before the examination report process had been completed. The incomplete report would still be available to be used in a regulatory action even if to do so might make it a public.

#56

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 7. line 1

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "regulations"

Insert: "establishing the procedures for determining when the continued operation of an insurer is hazardous to the public or its policyholders and procedures for the regulatory oversight of an insurer in hazardous condition. Continued operation of an insurer shall be considered hazardous only if the insurer is impaired or is in eminent danger of becoming impaired. The director may order an insurer determined to be in hazardous condition to limit or change its business practices, increase its capital or surplus, or file additional reports with the director. An insurer aggrieved by an order under this section may request a hearing under AS 21.06.170 - 21.06.230."

Delete: "that establish when the continued operation of an insurer transacting business in this state is hazardous to the policyholder, creditors, or the general public. The director may order an insurer to limit or change the insurer's business practices, increase the insurer's capital and surplus, or file additional reports with the director. If an insurer is subject to an order under this section, the insurer may request a hearing under AS 21.06.180."

SPONSOR STATEMENT: Industry was concerned that this language was overly broad and ambiguous. The division felt that the remaining language gives sufficient scope to its authority to meet its responsibilities.

#57

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 8. line 24

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "requiring"

Insert: "quarterly"

Delete: "estimated"

SPONSOR STATEMENT: Industry requested specific intervals be set in statute. Department of Revenue had requested quarterly payments.

# 58

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 9, line 3

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "(A)"

Insert: "files evidence of its submissic... this state's jurisdiction, submits to this state's authority to examine its books and records under AS 21.10.120, and is licensed to transact insurance or reinsurance in at least one state; or in the case of a United States branch of an alien assuming insurer, is entered through and licensed to transact insurance or reinsurance in at least one state;

(B) files annually with the director a copy of its annual financial statement that is filed with the insurance regulatory agency of its state of domicile; and

(C) maintains at least \$20,000,000 in policyholder surplus and whose accreditation has not been denied by the director within ninety days of application to the director or, maintains less than \$20,000,000 in policyholder surplus and whose application for accreditation has been approved by the director;

Delete: "submits to this state's jurisidiction, submits to this state's authority to examine its books and records, is licensed to transact insurance or reinsurance in at least one state, and files annually with the director a copy of the reinsurer's annual statement filed with the insurance department of the reinsurer's state of domicile and a copy of the reinsurer's most recent audited financial statement; or

(B) in the case of a United States branch of an alien assuming insurer, is entered through, and licensed to transact insurance or reinsurance in, at least one state, files annually with the director a copy of its annual financial statement that is filed with the insurance regulatory agency of its state of domicile, and maintains at least \$20,000,000 in policyholder surplus; the surplus requirements in this subparagraph do not apply to reinsurance ceded and assumed under a pooling arrangement among insurers in the same holding company system;

SPONSOR STATEMENT: More precisely follows National Association of Insurance Commissioners model act.

#59

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 14, line 27

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "(h)"

Insert: "A life insurer may receive credit for reinsurance transactions if the reinsurance agreement meets all applicable requirements established by the director. The director may establish requirements for life"

Delete: "An insurer may receive credit for reinsurance transactions if the reinsurance agreement meets all applicable requirements established by the director. The director may establish requirements for"

SPONSOR STATEMENT: Clarifies that this section only applies to life consistent with the National Association of Insurance Commissioners model acts.

#60

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 18, line 7

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "insurer"

Insert: "if the director has a reasonable belief that the new appraised value will be sufficiently lower than the reported value <sup>to</sup> materially reduce<sup>s</sup> policyholders' surplus"

*per Mike*

SPONSOR STATEMENT: Industry sought a more precise basis for bearing the cost of a new appraisal.

#61

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 18. line 13

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "insurer"

Insert: ", based on the cost of the investment or loan to the insurer,"

*amends § for purpose of this ~~section~~ paragraph, ←*

SPONSOR STATEMENT: Clarifies the basis of valuation.

#62

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 18. line 25

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "of"

Insert: "the minimum basic capital for stock insurers or basic guarantee surplus for mutual insurers and additional surplus for both stock and mutual insurers required under AS 21.09.070; or 50 percent of the total capital and surplus shown on the most recent statement of the insurer's financial condition as filed with the director under AS 21.09.200; but the insurer shall not invest or maintain funds under this subsection except in

(A) cash;

(B) the fully insured portion of bank deposits when the insurance is provided by a solvent agency of the United States government or by collateral in the form of the securities provided for under AS 21.21.060 and 21.21.080;

(C) the securities provided for under AS 21.21.060 and 21.21.080; or

(D) the securities provided for under AS 21.21.090 issued by this state or its political subdivisions but only if rated Class 1 by the securities valuation office for the period during which the securities are held for the purposes of this section and only if the insurer invests and maintains no more than 15% of its total capital and surplus in such securities shown on the most recent statement of the insurer's financial condition as filed with the director under AS 21.09.200"

Delete: "(A) the minimum basic capital for stock insurers or basic guarantee surplus for mutual insurers and additional surplus for both stock and mutual insurers required under AS 21.09.070; or

(B) 50 percent of the total capital and surplus shown on the most recent statement of the insurer's financial condition as filed with the director under AS 21.09.200 only in

(i) cash;

(ii) the fully insured portion of bank deposits when the insurance is provided by a solvent agency of the United States government or by collateral in the form of the securities provided for under AS 21.21.060 and 21.21.080; or

(iii) the securities provided for under AS 21.21.060 and 21.21.080"

SPONSOR STATEMENT: Encourages domestic insurers to invest in Alaska by permitting some revenue backed bonds to be included within their required diversification of investments and clarifies the permissible investments for this subsection.

#63

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 25, line 14

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert a new section:

"Sec.   . AS 21.22.030(c) When evaluating the effect of a merger or other acquisition under AS 21.22.030(a)(2), the director may consider relevant factors including market shares, volatility of ranking market leaders, number of competitors, concentration, trend of concentration in the industry, and ease of entry into and exit out of the market, but may not consider AS 21.22.065(d)-(e)."

SPONSOR STATEMENT: Clarifies the use of the standards in AS 21.22.065 for domestic insurers under AS 21.22.030.

#64

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 35. line 26

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "(f)"

Insert: "A person who performs management services under a written contract for an admitted insurer is not required to be licensed as a managing general agent if the person is a United States manager of the United States branch of an alien admitted insurer or, if the person's compensation is not based on the volume of premium written

- (1) is a wholly-owned subsidiary of the admitted insurer;
- (2) wholly owns the admitted insurer; or
- (3) is a wholly-owned subsidiary of an insurance holding

company subject to AS 21.22 that owns or controls the admitted insurer.

(g) A person who performs management services for an admitted reinsurer is not required to be licensed as a reinsurance intermediary manager if

(1) the person is a United States manager of the United States branch of an alien admitted reinsurer;

(2) the person's compensation is not based on the volume of premium written and the person is

- (A) a wholly-owned subsidiary of the admitted insurer;
- (B) wholly owns the admitted insurer; or
- (C) a wholly-owned subsidiary of an insurance holding

company subject to AS 21.22 that owns or controls the admitted insurer; or

(3) is the manager of a group, association, pool, or organization of insurers that does joint underwriting and that is subject to examination by its resident insurance regulator in a state that

(A) the director has determined has enacted provisions substantially similar to those contained in this chapter; and

(B) is accredited by the National Association of Insurance Commissioners.

Delete: "A person who performs management services for an admitted insurer or an admitted reinsurer is not required to be licensed as a reinsurance intermediary manager or, if the person's compensation is not based on the volume of premium written, as a managing general agent if the person

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

(2) wholly owns the admitted insurer; or

(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 reinsurer; or

(5) is the manager of a group, association, pool, or organization of insurers that does joint underwriting and that is subject to examination by its resident insurance regulator in a state that

(A) the director has determined has enacted provisions substantially similar to those contained in this chapter; and

(B) is accredited by the National Association of Insurance Commissioners"

SPONSOR STATEMENT: In order to clearly distinguish the exceptions we have created separate sections for managing general agents and reinsurance intermediary managers.

#65

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 36. line 11

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert: "(h)"

Delete: "(g)"

SPONSOR STATEMENT: Change to accommodate a new section g.

#66

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 36, line 13

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert: "(i)"

Delete: "(h)"

SPONSOR STATEMENT: Change to accommodate a new section g.

#67

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 36. line 17

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert: "(j)"

Delete: "(i)"

SPONSOR STATEMENT: Change to accommodate a new section g.

#68

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 36, line 25

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "after"

Insert: "explaining that the matter must be reviewed by a licensee"

Delete: "disclosure that the person is not licensed"

SPONSOR STATEMENT: Insurance licensees felt that "disclosure" may have unintended negative connotations which the suggested language would avoid. The division is satisfied that consumers will not be misled that the person is a licensed insurance professional.

#69

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 37. line 10

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "the"

Insert: "applicant or policyholder may review the matter with a licensee"

Delete: "information may be reviewed with a licensee"

SPONSOR STATEMENT: Clarifies.

#70

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 37, line 12

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert: "(k)"

Delete: "(j)"

SPONSOR STATEMENT: Change to accommodate a new section g.

#71

## SENATE AMENDMENT

BY: Division of Insurance

TO: Page 106, line 28

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "and"

Insert: "and deliver to the surplus lines broker no later than the end of each month on a form prescribed by the director, and a surplus lines broker shall file with the director with the report required by (a) of this section or with the surplus lines association with the evidence of insurance required by (b) of this section"

Delete: "file with the director, or if ordered by the director, with the surplus lines association, on or before the end of each month on a form prescribed by the director, and a surplus lines broker shall file with the director with the report required by (a) of this section"

SPONSOR STATEMENT: Clarifies the method of filing the affidavit..

# 72

## SENATE AMENDMENT

BY: Division of Insurance

TO: Page 114. line 30

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert a new section:

"Sec.      AS 21.36.220(c) is amended to read:

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

(1) an unearned premium shall be returned or credited within [30] 45 days after notice of cancellation is given, if cancellation is for

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

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

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

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

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

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

SPONSOR STATEMENT: Insurance producers pointed out that agency bill arrangements normally run on a 45 day account current. This will provide consistency with AS 21.36.255.

# 73

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 115, line 1

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "shall"

Insert: "return or credit any unearned premium to the agent or broker of record or directly to the insured or premium finance company, if applicable; or

(2) insured, the insurer shall return or credit any unearned premium to the agent or broker of record or directly to the insured or premium finance company, if applicable"

Delete: "refund the unearned premium paid to the insured or premium finance company; or

(2) insured, the insurer shall return any unearned premium to the insured or premium finance company"

SPONSOR STATEMENT: Insurance producers have pointed out that agency bill arrangements provide that premium is returned via the insurance producers fiduciary account. The language is changed to be consistent with AS 21.220 so that all cancellation return of unearned premium is handled the same.

# 74

## SENATE AMENDMENT

BY: Division of Insurance

TO: Page 115, line 7

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert: "(A) within 45 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 45 days completion of an audit; the insurer shall perform and complete an audit within 45 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."

*Note. This amends amendment #37 Changes number of days from 30 to 45.*

**SPONSOR STATEMENT:** Language is clarified that the 45 days begins 45 days from receipt of the request for cancellation or the effective date of cancellation, which ever is later. Insurance producers pointed out that agency bill arrangements normally run on a 45 day account current.

#75

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 115, line 29

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "restitution"

Insert: " or assess a penalty of not more than \$1000 for each violation or \$10,000"

Delete: ",suspend or revoke the person's license, and order a penalty of not more than \$10,000 for each violation or \$100,000"

SPONSOR STATEMENT: Under this chapter, it was felt that loss of a license and the larger penalties were unnecessary for minor administrative type violations, but were appropriate for violations under AS 21.36.320(e).

# 76

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 116. line 3

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "chapter"

Insert: "in addition to the penalty prescribed in (d) of this section, the director may order suspend or revoke the person's license and assess a penalty"

Delete: "a penalty in addition to that prescribed in (d) of this section"

SPONSOR STATEMENT: Under this chapter, it was felt that loss of a license was appropriate for serious violations, and was relocated from AS 21.36.320(d).

# 77

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 116, line 8

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

Insert a new section:

"Sec. \_ . AS 21.36.320 is amended by adding a new section to read:

(g) In determining the amount of penalty to assess under (d) and (e) of this section, the director shall consider the amount of loss caused by the violation and the amount of benefit derived by the person by reason of the violation."

SPONSOR STATEMENT: This new section includes two factors that a director must consider when assessing a penalty. The director may, however, consider any other factors, such as deterrence or the seriousness of the violation, when assessing a penalty.

#178

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 144, line 2

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "a"

Insert: "personal automobile"

Delete: "motor vehicle casualty"

SPONSOR STATEMENT: Industry noted that a senior discount for persons completing a motor vehicle prevention course is not appropriate for business or commercial insurance. The suggested language will be consistent with the cancellation, renewal, and nonrenewal provisions in AS 21.36

# 79

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 147. line 30

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After: "procures"

Insert: ", or delivers policies of insurance, or, to the extent authorized by the insurer,"

Delete: "delivers"

SPONSOR STATEMENT: Clarifies

# 80

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 148, line 6

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "more":

Insert: "admitted"

*Note: Amends amendment number 41. Changes word "delete" to "insert".*

SPONSOR STATEMENT: Editorial change for clarity.

#81

SENATE AMENDMENT

BY: Division of Insurance

TO: Page 149, line 4

SENATE BILL NO. CS 376 (L&C)

TO: \_\_\_\_\_

HOUSE BILL NO. \_\_\_\_\_

After "assuming":

Insert: "admitted"

*Note: amends amendment number 43. Changes  
word "delete" to "insert"*

SPONSOR STATEMENT: Editorial change for clarity.

INSURANCE INDUSTRY WORKING TASK FORCE  
OMNIBUS INSURANCE BILL 1992

NAME	FIRM	MAILING ADDRESS	PHONE	FAX
Gary Bocksnick	Insurance Connection	312 Tye, Soldotna, AK 99669	(907) 262-2515	(907) 262-2646
Willie W. Martin	Life USA	2900 Boniface Parkway, Anchorage, AK 995504	(907) 337-2110	
C. J. Douglas	Willis Corroon	4220 B Street, Anchorage, AK 99503	(907) 562-2266	(907) 563-6483
Mary Aiken	Willis Corroon	4220 B Street, Anchorage, AK 99503	(907) 562-2266	(907) 563-6483
Wally Cathcart	Cathcart, Ltd.	P.O. Box 190546, Anchorage, AK 99519	(907) 258-6240	(907) 258-2413
Jan Barber	Rollins Burdick Hunter	1031 W. 4th Ave., #400, Anchorage, AK 99501	(907) 276-5617	(907) 276-6292
Phillip Mink	Preferred General Agency	4300 B Street, Anchorage, AK 99518	(907) 563-5676	(907) 564-9855
Gina McBride	A.I.I.A.B.	P.O. Box 203088, Anchorage, AK 99520	(907) 258-5227	(907) 258-5228
Keith Silver	City Insurance Agency	4798 Business Park Blvd., Anchorage, AK 99503	(907) 563-0730	(907) 563-5325
David L. Stratton	Lincoln National Life/Southern AK Life Und.	507 W. Northern Lights Blvd., Anchorage, AK 99503	(907) 276-7667	(907) 258-3105
Henry F. George	Marsh and McLennan, Inc.	2550 Denali, #1500, Anchorage, AK 99503	(907) 276-5424	(907) 276-2582
Rosalie Sandoval	Homestate Insurance Brokers	P.O. Box 107506, Anchorage, AK 99502	(907) 276-6662	(907) 258-2529
Paul Houston	CHI	517 W. Northern Lights Blvd., Anchorage, AK 99503	(907) 276-7667	(907) 258-3105
Patrick Hickey	Central Adjusters	341 W. Tudor Road, Ste. 101, Anchorage, AK 99503	(907) 562-2888	(907) 562-0550
Ken Draper	WAIB/Pettit-Morry	520 Pike Street, 20th Floor, Seattle, WA 98101	(206) 447-0500	(206) 447-5897
Randy Weddel	Primerica Financial Services	639 W. Int'l Airport Road, #38, Anchorage, AK 99518	(907) 561-2676	(907) 562-5263
Linda Hall	Homestate Insurance Brokers	P.O. Box 107506, Anchorage, AK 99501	(907) 276-6662	(907) 258-2529
John George	NAII/ACLI	9515 Moraine Way, Juneau, AK 99801	(907) 789-0172	(907) 789-6964
Reid Smith	Northern Adjusters, Inc.	1401 Rudakof Circle, Anchorage, AK 99508	(907) 338-7484	(907) 338-6364
Ken Snider	CLU	2731 Pelican Drive, Anchorage, AK 99515	(907) 277-1616	(907) 277-1619
Peter Huycke	Huycke General Agency	2900 Boniface Parkway, Ste. 200, Anchorage, AK 99504	(907) 338-0491	(907) 338-7234
Roy Hollinger	MJ Hall	2550 Denali St., Ste. 1303, Anchorage, AK 99503	(907) 279-9673	(907) 276-3319
Chuck Scantlebury	Tate and Assoc.	P.O. Box 92245, Anchorage, AK 99509	(907) 349-4733	(907) 522-2561
Curtis Green	State Farm		(907) 276-1651	(907) 276-4562
Jay Frank	State Farm/Allstate	One Sealaska Plaza, #303, Juneau, AK 99801	(907) 586-5912	(907) 463-3020
PeI Bjorn-Rou	New York Life	1400 W. Benson Blvd., #200, Anchorage, AK 99503	(907) 279-6471	(907) 257-5209
David Hutchison	ARECA Insurance Exchange		(907) 561-6103	(907) 561-5547
Bob Higley	Kenneth I. Tobey, Inc.	2201 6th Avenue, Ste. 1101, Seattle, WA 98121		(206) 448-5500
Paul Baker	Paul Baker and Associates	1553 Cushman Street, Fairbanks, AK 99701	(907) 452-6818	(907) 452-5279
John Bentley, Jr.	Surplus Lines Association of Washington	720 Olive Way, Ste. 915, Seattle, WA 98101	(206) 682-3409	(206) 623-3326
Judy Erickson	Capitol Information Group	319 Seward St., #6, Juneau, AK 99801	(907) 586-3118	(907) 586-1987
Jess Gary	Western Association of Insurance Brokers	16212 Bothell-Everett Hwy., Ste. F-275, Mill Creek, WA 98012	(206) 467-7354	(206) 742-5135
Stewart Sawyer	Pettit-Morry	520 Pike Street, 26th Floor, Seattle, WA 98101	(206) 447-0500	(206) 447-0902
Tom Long	Rollins Burdick Hunter of WA, Inc.	3131 Elliott Avenue, Ste. 500, Seattle, WA 98121	(206) 281-4500	(206) 281-4560

LICENSING TASK FORCE MEETING DATES, TIMES, AND LOCATIONS

Date	Time	Location
September 25, 1991	9:00 a.m.	Sheraton Hotel Ballroom A - Postponed due to weather
October 3, 1991	9:00-11:00 a.m.	Frontier Building Anchorage
October 16, 1991	1:00-5:00 p.m.	Data Center, Anchorage Teleconference--Juneau & Seattle
October 30, 1991	1:00-5:00 p.m.	Data Center, Anchorage Teleconference--Juneau & Seattle
November 13, 1991	1:00-5:00 p.m.	Data Center, Anchorage Teleconference--Juneau & Seattle
December 3, 1991	1:00-5:00 p.m.	Data Center, Anchorage Teleconference--Juneau & Seattle
December 10, 1991	1:00-5:00 p.m.	Data Center, Anchorage Teleconference--Juneau, Seattle, and Houston
December 17, 1991	1:00-5:00 p.m.	Data Center, Anchorage Teleconference--Juneau & Seattle

Proposed Legislation	Existing Statute	Comments
<p>* Section 1. AS 21.06.120(a) is amended to read:</p> <p>(a) The director may examine the affairs, transactions, accounts, records, and assets of each authorized and formerly authorized insurer and each licensed and formerly licensed <u>managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker and surplus lines association</u> as often as the director considers advisable. The director shall [SO] examine each domestic insurer at least once every three years. <u>In scheduling and determining the nature, scope, and frequency of examinations, the director may consider the results of financial statement analysis and ratios, competency of management or change of ownership, actuarial opinions, reports of independent certified public accountants, number and nature of consumer complaints, results of prior examinations, frequency of prior violations of statute and regulation, amount or type of risk being assumed, degree to which the activity is in the public interest, other criteria set out in the Examiners Handbook most recently approved by the National Association of Insurance Commissioners and in effect when the director conducts an examination and, other material that the director determines is relevant.</u> Examination of an alien insurer may be limited to its insurance transactions and affairs in the United States. Examination of a reciprocal insurer may also include examination of its attorney-in-fact to the extent that the transactions of the attorney-in-fact relate to the insurer.</p>	<p>AS 21.06.120(a)</p> <p>(a) The director may examine the affairs, transactions, accounts, records, and assets of each authorized and formerly authorized insurer and each licensed and formerly licensed surplus lines broker as often as the director considers advisable. The director shall so examine each domestic insurer at least once every three years. Examination of an alien insurer may be limited to its insurance transactions and affairs in the United States. Examination of a reciprocal insurer may also include examination of its attorney-in-fact to the extent that the transactions of the attorney-in-fact relate to the insurer.</p>	<p>Adds authorization for examination of MGAs, reinsurance intermediary brokers and reinsurance intermediary managers.</p> <p>Adds list of information which may be considered when scheduling an examination.</p>
<p>* Sec. 2. AS 21.06.120(c) is amended to read:</p>	<p>AS 21.06.120(c)</p>	

Proposed Legislation	Existing Statute	Comments
<p>• Sec. 2. AS 21.06.120(c) is amended to read:</p>	<p>AS 21.06.120(c)</p>	
<p>(c) In place of an examination by the director, the director may accept a full report of the last recent examination of a foreign or alien insurer, certified to by the insurance supervisory official of another state, territory, commonwealth, or district of the United States if</p>	<p>(c) In place of an examination by the director, the director may accept a full report of the last recent examination of a foreign or alien insurer, certified to by the insurance supervisory official of another state, territory, commonwealth, or district of the United States</p>	<p>Adds requirements as to quality of examination which must be met before an examination from another state may be accepted in lieu of an examination conducted by Alaska. These requirements must be met after Dec 31.1993. This section takes effect on January 1, 1994.</p>
<p><del>(1) the insurance regulatory agency conducting the examination was at the time of the examination accredited by the National Association of Insurance Commissioners;</del></p>		<p>See comments on AS 21.06.120(c) above.</p>
<p><del>(2) the examination is performed under the supervision of an insurance regulatory agency accredited by the National Association of Insurance Commissioners; and the supervising examiner after a review of the examination work papers states under oath that the examination and report complies with the standards and procedures required by their accredited state insurance regulatory agency; or</del></p>		<p>See comments on AS 21.06.120(c) above.</p>
<p><del>(3) the examiner conducting the examination was employed by an insurance regulatory agency accredited at the time of the examination by the National Association of Insurance Commissioners and the examiner, after review of the examination work papers, states under oath that the examination and report complies with the standards and procedures required by the accredited insurance regulatory agency.</del></p>		<p>See comments on AS 21.06.120(c) above.</p>

Proposed Legislation	Existing Statute	Comments
* Sec. 3 AS 21.06.120(e) is amended to read:	AS 21.06.120(e)	
(e) The director may use a contract examiner to carry out the functions of this section. The selection of a contract examiner and the award of the contract is <u>not</u> subject to AS 36.30 (State Procurement Code).	(e) The director may use a contract examiner to carry out the functions of this section. The selection of a contract examiner and the award of the contract is subject to AS 36.30 (State Procurement Code).	Removes the selection of contract examiners from the realm of competitive bid and allows the division to work with persons on examinations that go beyond the contract period without bringing in new examiners who must start over because they win a bid.
* Sec. 4. AS 21.06.120 is amended by adding a new subsection to read:		
(f) For the purpose of completing an examination of a person under this title, the director may extend the examination or investigation as provided under AS 21.06.170.		Allows the director to examine other persons when necessary to complete the examination of a licensee.
* Sec. 5. AS 21.06.130(a) is amended to read:	AS 21.06.130(a)	
(a) To determine compliance with this title, the director may as often as the director considers advisable examine or require a written report <u>from a person</u> of the accounts, records, documents, and transactions pertaining to or affecting the insurance affairs or proposed insurance affairs of	(a) To determine compliance with this title, the director may as often as the director considers advisable examine or require a written report of the accounts, records, documents, and transactions pertaining to or affecting the insurance affairs or proposed insurance affairs of	Changes terms for licensees to be consistent with changes to Chapter 27. Clarifies who may be required to write a report. Deletes examination authority for exclusive managers or those controlling an insurer's management in this subsection. Such authority would be retained in AS 21.06.120 (f).
(1) an insurance <u>producer</u> [AGENT, BROKER, SOLICITOR, GENERAL AGENT,] or <u>independent</u> adjuster; <u>or</u>	(1) an insurance agent, broker, solicitor, general agent, or adjuster;	See comments on AS 21.06.130(a) above.
(2) [A PERSON HAVING A CONTRACT UNDER WHICH THE PERSON ENJOYS IN FACT THE EXCLUSIVE OR DOMINANT RIGHT TO MANAGE OR CONTROL AN INSURER;	(2) . person having a contract under which the person enjoys in fact the exclusive or dominant right to manage or control an insurer;	See comments on AS 21.06.130(a) above.
(3) A PERSON HOLDING THE SHARES OF VOTING STOCK OR POLICYHOLDER PROXIES OF A DOMESTIC INSURER, FOR THE PURPOSE OF CONTROLLING ITS MANAGEMENT, AS VOTING TRUSTEE OR OTHERWISE;	(3) a person holding the shares of voting stock or policyholder proxies of a domestic insurer, for the purpose of controlling its management, as voting trustee or otherwise;	See comments on AS 21.06.130(a) above.

<p>(4)] a person engaged in or proposing to be engaged in or assisting in the promotion or formation of a domestic insurer or insurance holding corporation, or corporation to finance a domestic insurer or the production of its business.</p>	<p>(4) a person engaged in or proposing to be engaged in or assisting in the promotion or formation of a domestic insurer or insurance holding corporation, or corporation to finance a domestic insurer or the production of its business.</p>	<p>No change.</p>
<p>To be repealed. See Sec. 221.</p>	<p>AS 21.06.130(b) The director may withhold from public inspection information obtained under this section for so long as the director considers the withholding to be necessary for the protection of the person examined against unwarranted injury or to be in the public interest.</p>	<p>Incorporated in AS 21.06.150(d).</p>
<p>* Sec. 6. AS 21.06.140(b) is amended to read:</p>	<p>AS 21.06.140(b)</p>	
<p>(b) Every person being examined and its officers, employees, agents, and representatives shall produce and make freely available to the director the accounts, records, documents, files, information, assets, and matters in their possession or control relating to the subject of the examination, and shall facilitate and aid the examination as far as reasonably possible, including providing to the director, at the expense of the person being examined, a copy of any document requested during the examination. <u>The director may suspend, revoke, or refuse to issue or renew a license or authority of a person engaging in the business of insurance or other business under the jurisdiction of the director if the person or an officer, director, employee or agent of the person refuses to submit to examination or to comply with a reasonable written request of an examiner.</u></p>	<p>(b) Every person being examined and its officers, employees, agents, and representatives shall produce and make freely available to the director the accounts, records, documents, files, information, assets, and matters in their possession or control relating to the subject of the examination, and shall facilitate and aid the examination as far as reasonably possible, including providing to the director, at the expense of the person being examined, a copy of any document requested during the examination.</p>	<p>Adds language on actions available to the director if a person refuses to submit to examination.</p>

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 7. AS 21.06.140(c) is amended to read:</p> <p>(c) If the director finds <u>financial or other records [ACCOUNTS]</u> to be inadequate or inadequately kept or posted <u>or if an insurer's financial records are not kept as required by the Accounting Practices and Procedures Manual currently approved by the National Association of Insurance Commissioners</u> after the director has <u>issued an order citing [GIVEN THE PERSON NOTICE OF]</u> the inadequacy of the accounts and <u>given</u> a reasonable opportunity to complete or correct the accounting, the director may employ experts to rewrite, post, or balance them at the expense of the person being examined.</p>	<p>AS 21.06.140(c)</p> <p>(c) If the director finds accounts to be inadequate or inadequately kept or posted after the director has given the person notice of the inadequacy of the accounts and a reasonable opportunity to complete or correct the accounting, the director may employ experts to rewrite, post, or balance them at the expense of the person being examined.</p>	<p>Sets out what kinds of records must be adequately kept and the basis for determining adequate financial accounts for insurance companies.</p>
<p>* Sec. 8. AS 21.06.140(d) is repealed and reenacted to read:</p> <p>(d) When conducting an examination under this section, the director may retain attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals and specialists as examiners, the cost of which shall be paid by the person being examined under AS 21.06.160(a). The director may adopt regulations limiting the scope of examination work performed by specialists and limiting the amount charged by specialists to the person being examined.</p>	<p>AS 21.06.140(d)</p> <p>(d) If the director considers it necessary to value real estate involved in the examination, the director may make written request of the person being examined to appoint one or more competent appraisers approved by the director, for the purpose of appraising the property. If no appointment is made within 10 days after the request is delivered to the person the director may appoint the appraiser or appraisers. The appraisal shall be made promptly, and a copy of the appraisal report shall be furnished to the director. The reasonable expense of the appraisal shall be borne by the person being examined.</p>	<p>Removes the old subsection (d) and replaces it with a more general statement of the authority of the director to use specialists in an examination, paid for by the examinee as is required for other examination expenses under AS 21.06.160 (a). Gives the Director authority to adopt limitations on scope and cost of exam specialists.</p>

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 9. AS 21.06.140 is amended by adding new subsections to read:</p>		
<p>(f) In conducting an examination under this section, the examiner shall observe those guidelines and procedures set out in the Examiners' Handbook currently approved by the National Association of Insurance Commissioners that are consistent with the scope of the examination as given by the director or the director's designee. The director may also employ other guidelines or procedures that the director finds appropriate.</p>		<p>Sets out the source for procedures in conducting an examination.</p>
<p>(g) An examiner may not be appointed by the director if the examiner, either directly or indirectly, has a conflict of interest or is affiliated with the management of or owns a pecuniary interest in a person subject to examination under this title. This section may not be construed to automatically preclude an examiner from being, in the ordinary course of business,</p>		<p>Prohibits the director from assigning an examiner to an examination if the examiner has a conflict of interest and sets out the situations in the ordinary course of business which would not automatically be conflicts of interest.</p>
<p>(1) a policyholder or claimant under an insurance policy;</p>		<p>See comments on AS 21.06.140(g) above.</p>
<p>(2) a grantor of a mortgage or similar instrument on the examiner's residence to a regulated entity if obtained under customary terms;</p>		<p>See comments on AS 21.06.140(g) above.</p>
<p>(3) an investment owner in shares of regulated mutual fund companies; or</p>		<p>See comments on AS 21.06.140(g) above.</p>
<p>(4) a settlor or beneficiary of a blind trust into which otherwise impermissible holdings have been placed.</p>		<p>See comments on AS 21.06.140(g) above.</p>
<p>(h) The director may terminate or suspend an examination in order to pursue other legal or regulatory action under this title.</p>		<p>Gives the director the authority to stop an examination when taking other action under the title.</p>