

ALASKA LEGISLATURE COMMITTEE FILES
7088 HOUSE LABOR & COMMERCE

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	<p>AS 21.27.060(a) continued This requirement does not apply to</p> <p>(1) applicants for limited licenses, as travel insurance agents only, under AS 21.27.150, or, at the discretion of the director, to applicants for licenses as disability insurance agents for the purpose of handling limited coverages pertaining to sports and recreation;</p> <p>(2) applicants</p> <p>(A) who, at any time within the two-year period immediately preceding the date of application, have been licensed in this state under a license requiring qualifications required by the license applied for;</p> <p>(B) who are considered by the director to be fully qualified and competent; and</p> <p>(C) whose previous license was not revoked for any reason;</p> <p>(3) applicants for a license who have fulfilled qualification requirements in their state or province of residence and who are considered by the director to be fully qualified and competent.</p>	<p>AS 21.27.060(a)(1) moved to AS 21.27.150(a) and (b) as limited licenses.</p> <p>AS 21.27.060(a)(2)(A) - (C) moved to AS 21.27.060(d)</p>
<p>(b) If the director determines that a licensee has violated this title or that a licensee has conducted affairs under the license that cause the director reasonably to desire further evidence of the qualifications of the licensee, the director may at any time require the licensee to personally take and pass, to the satisfaction of the director, an examination that tests the knowledge and competence of the licensee as to the licensee's duties and responsibilities as a licensee, or the insurance laws of the state.</p>	<p>(b) The director may at any time require an individual licensed as an agent, general agent, broker, solicitor, or adjuster to take and successfully pass an examination testing competence and qualifications as a condition to the continuance of the license if the licensee has been guilty of a violation of this title, or has conducted affairs under the license that cause the director reasonably to desire further evidence of the qualifications of the licensee.</p>	<p>Reflects additional license types and the insurance producer license.</p>

Proposed Legislation	Existing Statute	Comments
<p>(c) An applicant who files a current letter of clearance from a prior state of residence certifying that the applicant was in good standing and has held a license in that state that had the same qualifications as the license applied for in this state, including passing an examination, shall personally take and pass, to the satisfaction of the director, an examination pertaining to this state's statutes and regulations and any kind or class of insurance not covered under the license held in the prior state of residence, provided the filing of the letter of clearance is made within 180 days of cancellation of the prior state's resident license.</p>		<p>Reflects current procedure.</p>
<p>(d) This section does not apply, at the discretion of the director, to an applicant</p>	<p>Portion of existing §21.27.060(a). This requirement does not apply to</p>	<p>Relocation of AS 21.27.060(a). Creates waiver of testing at discretion of director.</p>
<p>(1) for a limited license under AS 21.27.150;</p>	<p>(1) applicants for limited licenses, as travel insurance agents only, under AS 21.27.150, or, at the discretion of the director, to applicants for licenses as disability insurance agents for the purpose of handling limited coverages pertaining to sports and recreation;</p>	<p>Clarified to include all limited licenses.</p>
<p>(2) who, at any time within the two-year period immediately preceding the date the current pending application is received by the division, had been licensed in good standing in this state under a license requiring substantially similar qualifications as required by the license applied for; or</p>	<p>(2) applicants (A) who, at any time within the two-year period immediately preceding the date of application, have been licensed in this state under a license requiring qualifications required by the license applied for; (B) who are considered by the director to be fully qualified and competent; and (C) whose previous license was not revoked for any reason;</p>	<p>Editorial change.</p>
<p>(3) whose license in the resident jurisdiction requires the same qualifications as the license applied for in this state if the license in all jurisdictions is in good standing.</p>	<p>(3) applicants for a license who have fulfilled qualification requirements in their state or province of residence and who are considered by the director to be fully qualified and competent.</p>	<p>Editorial change.</p>

Proposed Legislation	Existing Statute	Comments
(e) The director may make available a printed manual specifying in general terms the subjects that may be covered in an examination for a particular license.	(c) The director shall prepare and make available to insurers, general agents, brokers, agents, and applicants a printed manual specifying in general terms the subjects which may be covered in an examination for a particular license.	Gives director discretion to outsource examination study material.
* Sec. 60. AS 21.27.060(c) is repealed and reenacted to read:		
(c) An applicant who files a current letter of clearance from a prior state of residence certifying that the applicant was in good standing and has held a license in that state that had the same qualifications as the license applied for in this state, including passing an examination, shall personally take and pass, to the satisfaction of the director, an examination pertaining to this state's statutes and regulations and any kind or class of insurance not covered under the license held in the prior state of residence, provided the filing of the letter of clearance is made within 180 days of cancellation of the prior state's resident license. This subsection only applies if the prior resident state is accredited by the National Association of Insurance Commissioners.		This section replaces proposed AS 21.27.060(c) in Sec. 59 above as of January 1, 1994. The difference in effective dates reflects reciprocity with other NAIC accredited states. See comments in Sec. 2. See Sec 223.
* Sec. 61. AS 21.27.060(d) is repealed and reenacted to read:		This section replaces proposed AS 21.27.060(d) in Sec. 59 above as of January 1, 1994. The difference in effective dates reflects reciprocity with other NAIC accredited states. See comments in Sec. 2. See Sec 223.
(d) This section does not apply, at the discretion of the director, to an applicant		See Sec. 61 comments above.
(1) for a limited license under AS 21.27.150;		See Sec. 61 comments above.

<p>(2) who, at any time within the two-year period immediately preceding the date the current pending application is received by the division, had been licensed in good standing in this state under a license requiring substantially similar qualifications as required by the license applied for; or</p>		See Sec. 61 comments above.
<p>(3) whose license in the resident jurisdiction requires the same qualifications as the license applied for in this state if the license in all jurisdictions is in good standing and its resident jurisdiction is accredited by the National Association of Insurance Commissioners.</p>		See Sec. 61 comments above.
To be repealed	<p>AS 21.27.070 SCOPE OF EXAMINATION. (a) Each examination shall be as the director prescribes and shall be of sufficient scope reasonably to test the applicant's knowledge relative to the kinds of insurance which may be dealt with under the license applied for, and of the duties and responsibilities of, and laws of this state applicable to the licensee.</p>	Moved to AS 21.27.060(a)
To be repealed	<p>(b) Examination as to ocean marine and related coverages may be waived by the director as to an applicant considered by the director to be qualified by past experience to deal in those insurances.</p>	Obsolete.
To be repealed	<p>(c) The director shall prepare and make available to insurers, general agents, brokers, agents, and applicants a printed manual specifying in general terms the subjects which may be covered in an examination for a particular license.</p>	Moved to AS 21.27.060(e)

Proposed Legislation	Existing Statute	Comments
* Sec. 62. AS 21.27.080(b) is amended to read	AS 21.27.080(b)	
(b) The director shall give examinations at the times and places [WITHIN THIS STATE] that the director considers necessary to reasonably serve the convenience of [BOTH] the director, [AND] applicants, and licensees.	(b) The director shall give examinations at the times and places within this state that the director considers necessary to reasonably serve the convenience of both the director, and applicants	Minor editorial change.
To be repealed	AS 21.27.090 QUALIFICATIONS FOR LICENSING. (a) To qualify for an agent, general agent, broker, solicitor, or adjuster license, an applicant shall comply with this title and	Moved to AS 21.27.020(b)
To be repealed	(1) be 19 years of age or older with a high school or General Education Development diploma or equivalent;	Moved to AS 21.27.020(b)(1)
To be repealed	(2) if for a resident license, be a bona fide resident before issuance of the license and actually reside in the state;	Moved to AS 21.27.020(b)(2)
To be repealed	(3) successfully pass any examination required under AS 21.27.060;	Moved to AS 21.27.020(b)(3)
To be repealed	(4) be a trustworthy person;	Moved to AS 21.27.020(b)(4)
To be repealed	(5) not use or intend to use the license for the purpose principally of writing controlled business, as defined in AS 21.27.030;	Moved to AS 21.27.020(b)(5)
To be repealed	(6) not have committed an act that is a ground for denial, suspension, or revocation set out in AS 21.27.410;	Moved to AS 21.27.020(b)(6)
To be repealed	(7) if the application is for an agent or general agent license, be appointed as its agent or general agent by one or more authorized insurers, subject to issuance of the license, except that an individual acting on behalf of a firm is not required to have an appointment as an agent or general agent for that activity;	Appointment no longer required for license.

Proposed Legislation	Existing Statute	Comments
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To be repealed	(8) if the application is for a general agent license, have a minimum of three years active working experience in insurance administrative functions, including those listed under the definition of "general agent" in AS 21.90.900, that, in the director's discretion, exhibits the applicant's ability to competently perform the administrative functions for all lines applied for;	Moved to Article 3 Sec. 21.27.590 - 620.
To be repealed	(9) if the application is for broker license, have a minimum of three years active working experience in all lines applied for either as an agent, solicitor, adjuster, general agent, broker, or as an employee of insurers or representatives of insurers, or special education or training of sufficient duration and extent to satisfy the director that the applicant possesses the competence necessary to fulfill the responsibilities of a broker.	Moved to Article 2 Sec. 21.27.530 - 570.
To be repealed	(10) if the application is for a solicitor license, intend to and in fact make the soliciting and handling of insurance business under the license the applicant's principal gainful occupation and represent and be employed by only one licensed agent, general agent, or broker.	Obsolete section.
To be repealed	(11) if the application is for an adjuster license, have at least six months' experience, special education or training in handling loss claims under insurance contracts, of sufficient duration and extent to make the person reasonably competent to fulfill the responsibilities of an adjuster.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed	(b) If the director finds that the applicant is qualified and that the license fee has been paid, the director shall issue the license.	Moved to AS 21.27.020(c)
To be repealed	(c) The director may adopt regulations establishing additional educational or experience requirements for applicants under (a) of this section.	Moved to AS 21.27.020(d)

To be repealed	<p>(d) To qualify for a firm agent or broker license an applicant must comply with this title and</p> <p>(1) comply with (a)(4) and (5) of this section;</p> <p>(2) if a corporation, maintain a lawfully established place of business in this state, except as provided in AS 21.27.270.</p>	Moved to AS 21.27.020(c)
To be repealed	<p>AS 21.27.095 LICENSING OF GENERAL AGENTS. (a) A general agent has the authority, consistent with this title, that is conferred by the insurer. A general agent, resident or nonresident, qualified and licensed under AS 21.27.090, may exercise the powers conferred by this title upon agents licensed for the kinds of insurance that the general agent is authorized to transact for the insurer appointing the agent.</p>	Moved to Article 3 Sec. 21.27.590 - 620.
To be repealed	<p>(b) A person employed on a salary by an insurer, including an officer or salaried employee performing the same services as a general agent, is considered to be a service representative and is not required to be licensed.</p>	Moved to AS 21.27.010(e)
To be repealed	<p>(c) For purposes of this section, a person that performs management services for an insurer is not required to be licensed as a general agent if the person</p> <p>(1) is a wholly-owned subsidiary of the insurer;</p> <p>(2) wholly owns the insurer; or</p> <p>(3) is a wholly-owned subsidiary of the insurance holding company that owns or controls the insurer.</p>	Moved to AS 21.27.010(f)

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 63. AS 21.27.100 is repealed and reenacted to read:</p> <p>Sec. 21.27.100. APPOINTMENT OF INSURANCE PRODUCER, MANAGING GENERAL AGENT, AND REINSURANCE INTERMEDIARY MANAGER. (a) On forms prescribed by the director, an appointment shall be filed with the director at least 10 days before its proposed effective date by the following licensees:</p>	<p>AS 21.27.100</p> <p>AS 21.27.100 APPOINTMENTS OF AGENTS OR GENERAL AGENTS (a) An insurer appointing an agent or general agent in the state shall file written notice of the appointment with the director on forms prescribed and furnished by the director. If the appointee is licensed and if the necessary licensing fee is paid, the director shall provide to the insurer and to the appointee written notification of the effective date of the appointment.</p>	<p>Clarifies appointment procedure for insurers and managing general agents. Add procedure for reinsurers and reinsurance intermediary managers.</p>
<p>(1) an admitted insurer appointing a managing general agent in this state or relative to a subject resident, located, or to be performed in this state;</p>		<p>See comments for AS 21.27.100(a) Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(2) a managing general agent appointing an insurance producer as its subagent in this state relative to subjects resident, located, or to be performed in this state;</p>		<p>See comments for AS 21.27.100(a) Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(3) a domestic reinsurer appointing a reinsurance intermediary manager; and</p>		<p>See comments for AS 21.27.100(a)</p>
<p>(4) a reinsurance intermediary manager appointing an insurance producer as its subagent in this state.</p>		<p>See comments for AS 21.27.100(a)</p>
<p>To be repealed</p>	<p>(b) An insurer that enters into an agreement with a general agent shall do so by means of a written contract that specifically sets out the duties, functions, powers, authority, and compensation of all parties to the contract. A contract with a general agent shall be kept in the permanent records of the insurer and general agent, and be open to inspection by the director.</p>	<p>Moved to Article 3 Sec. 21.27.590 - 620. See AS 21.27.620.</p>

<p>(b) On forms prescribed by the director, an admitted insurer appointing an insurance producer as its agent in this state or relative to a subject resident, located, or to be performed in this state shall file written notice of appointment not later than 30 days from the date the written agency contract is executed or the first insurance application is submitted to the admitted insurer by the licensed insurance producer. If the licensed insurance producer has not received written acknowledgement of the appointment from the director within 45 days from the date the written agency contract is executed or the first insurance application is submitted to the admitted insurer by the insurance producer, whichever is later, the insurance producer shall immediately discontinue acting as an insurance producer on behalf of the insurer until an acknowledgement has been received.</p>		<p>Allows an insurance producer to secure appointment after submission of first application to insurer. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(c) If the appointee is licensed, the director shall provide written acknowledgement of the appointment, including the effective date to the person making the appointment, and to the appointee, and to the insurer or reinsurer.</p>		<p>Establishes appointment procedure.</p>
<p>(d) The person making the appointment, the appointee, and the insurer shall review the acknowledgement for accuracy and advise the director of an error within 30 days for correction.</p>		<p>Places responsibility for monitoring appointments on industry.</p>

* Sec. 64. AS 21. 27.110 is repealed and reenacted to read:	AS 21. 27.110	
<p>Sec. 21.27.110. TERM OF APPOINTMENT. (a) An appointment under AS 21.27.100 continues in force until the appointment is terminated</p> <p>(1) by the insurer, reinsurer, managing general agent as authorized by the insurer, or reinsurance intermediary manager as authorized by the reinsurer; a written notice of termination shall be mailed at least 10 days before the effective date of the termination to the last known address of the appointee and to the director by first class certified mail, first class registered mail, or first class with a certificate of mailing from the United States Postal Service; or</p> <p>(2) by the director; a written notice of termination shall be mailed at least 10 days before the effective date of the termination by first class certified mail to the last address of record with the director of the appointee and insurer, reinsurer, managing general agent, or reinsurance intermediary.</p>	<p>AS 21.27.110. TERM OF APPOINTMENT. An appointment under AS 21.27.100 continues in force until</p> <p>(2) the appointment is revoked by the insurer by written notice of revocation to the appointee; or</p> <p>(3) the appointment is revoked by the director by written notice of revocation to the appointee and insurer.</p> <p>AS 21.27.120(a) Revocation of an appointment is effective as of the date designated in the notice as being the effective date if the notice is actually received by the appointee before the designated date; otherwise, as of the earlier of the following dates:</p> <p>(1) the date the notice of revocation was received by the appointee;</p> <p>(2) the date the notice, if mailed to the agent at the appointee's last address of record, in due course should have been received by the appointee.</p>	<p>Combines term of appointment to include termination. Reflects new types of license.</p>
<p>(b) A notice of termination submitted to the director under (a) of this section must include a statement of the reasons for the termination. A statement of the reasons for termination is privileged and may not be admitted as evidence in an action or proceeding against the insurer, reinsurer, managing general agent, or reinsurance intermediary or their representatives by or on behalf of a person affected by the termination, except in an action involving perjury, false statement, fraud, or failure to comply with this subsection.</p>	<p>AS 21.27.120(b) As a part of the notice of termination given the director, the insurer shall file with the director a statement of facts relative to the termination and the cause thereof. The information or statement contained in the notice of termination shall be privileged and is not admissible as evidence in an action or proceeding against the insurer or one of its representatives by or on behalf of a person affected by the termination.</p>	<p>Relocation of AS 21.27.120(b). Reflects new types of license.</p>

<p>(c) The director may require that an insurer renew an appointment annually and may require payment of a renewal fee under AS 21.06.250 for an appointment in effect on December 31 of the current year. If the director requires that an appointment be renewed or a renewal fee be paid, the director shall terminate an insurer's appointment if the renewal fees have not been received by the director on or before the close of business of March 1 of the renewal year.</p>	<p>AS 21.27.110. An appointment under AS 21.27.100 continues in force until (1) the 30th of June of each year unless continued by the insurer by payment to the director on or before the close of business on the 30th day of June of an annual fee set under AS 21.06.250;</p>	<p>Reflects discretion regarding fee. Establishes renewal procedure.</p>
<p>To be repealed</p>	<p>AS 21.27.120 REVOCATION OF APPOINTMENT. (a) Revocation of an appointment is effective as of the date designated in the notice as being the effective date if the notice is actually received by the appointee before the designated date; otherwise, as of the earlier of the following dates:</p>	<p>Moved to AS 21.27.110</p>
<p>To be repealed</p>	<p>(1) the date the notice of revocation was received by the appointee;</p>	<p>Moved to AS 21.27.110</p>
<p>To be repealed</p>	<p>(2) the date the notice, if mailed to the agent at the appointee's last address of record, in due course should have been received by the appointee.</p>	<p>Moved to AS 21.27.110</p>
<p>To be repealed</p>	<p>(b) As a part of the notice of termination given the director, the insurer shall file with the director a statement of facts relative to the termination and the cause thereof. The information or statement contained in the notice of termination shall be privileged and is not admissible as evidence in an action or proceeding against the insurer or one of its representatives by or on behalf of a person affected by the termination.</p>	<p>Moved to AS 21.27.110</p>

* Sec. 65. AS 21.27.130 is amended to read:	AS 21.27.130	
Sec. 21.27.130. FORM AND CONTENT OF LICENSES. A license [AGENT, GENERAL AGENT, ADJUSTER, SOLICITOR, AND BROKER LICENSES] must be in the form the director prescribes [,] and must set out	AS. 21.27.130. FORM AND CONTENT OF LICENSES. Agent, general agent, adjuster, solicitor, and broker licenses must be in the form the director prescribes, and must set out	Editorial change.
(1) the name and <u>mailing</u> address of the licensee, <u>and</u> [OR] if the licensee is required to have a place of business, the <u>physical</u> address of the place of business;	(1) the name and address of the licensee, or if the licensee is required to have a place of business, the address of the place of business;	Editorial change.
(2) if for a firm, the name of the principal or manager of the firm;	(2) if for a firm, the name of the principal or manager of the firm;	No change.
(3) the kind or <u>class</u> [KINDS] of insurance the licensee is licensed to handle;	(3) the kind or kinds of insurance the licensee is licensed to handle;	Editorial change.
(4) <u>the effective date and expiration date of the license</u> [IF A SOLICITOR'S LICENSE, THE NAME AND ADDRESS OF THE AGENT OR BROKER REPRESENTED BY THE SOLICITOR];	(4) if a solicitor license, the name and address of the agent or broker represented by the solicitor;	Reflects biennial renewal.
(5) the condition under which the license is granted;	(5) the condition under which the license is granted;	No change.
(6) the date of issuance of the license;	(6) the date of issuance of the license;	No change.
<u>(7) each fictitious name and alias under which the licensee may do business; and</u>		Requires that fictitious names and aliases be shown on license.
<u>(8) other information required by the director.</u>		Allows director to show additional information on license.

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 66. AS 21.27.140 is repealed and reenacted to read:</p> <p>Sec. 21.27.140. FIRM LICENSES. (a) A firm shall have a firm license of the same scope as each individual employee of the firm.</p> <p>(b) A firm may not be licensed as an insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, or independent adjuster, or transact insurance unless each individual employed as an insurance producer, managing general agent, surplus lines broker, trainee insurance producer, trainee independent adjuster, or independent adjuster by the firm is licensed as an individual in the firm and the principal or manager of the firm is licensed as an individual in the firm to exercise all the powers conferred by the firm's license.</p>	<p>AS 21.27.140</p> <p>§21.27.140. LICENSES TO FIRMS.</p> <p>A firm shall have a firm license of the same degree as each individual licensee acting on behalf of the firm. A firm may not be licensed as an adjuster, agent, or broker unless each individual acting as or representing to be an adjuster, agent, or broker on behalf of the firm is licensed as an individual, and the principal or manager of the firm is licensed as an individual to exercise all the powers conferred by the firm's license. If the licensee knows of and consents to an act or representation on behalf of the firm by an individual who is not licensed as required by this chapter, that act or representation is cause for the revocation or suspension of the firm license.</p>	<p>Reflects additional license types.</p>
<p>(c) If the director determines under AS 21.06.170-21.06.240 that the firm knew of or should have known of an act or representation made on its behalf by an individual not licensed as required by this chapter, the firm and its principal or manager are subject to the penalties provided under AS 21.27.440</p>		<p>Establishes responsibility of firm in regard to its employees.</p>
<p>* Sec. 67. AS 21.27.150 is repealed and reenacted to read:</p>	<p>AS 21.27.150</p>	
<p>Sec. 21.27.150. LIMITED LICENSES. The director may issue a</p>		<p>Combines all limited licenses in title to one location.</p>

Proposed Legislation	Existing Statutes	Comments
<p>(1) travel insurance limited producer license to a person whose place of business is located in this state, who sells transportation tickets of a common carrier of persons or property, who is appointed under AS 21.27.100, and whose sole purpose is to be appointed by and to act as an agent for transportation ticket policies of disability insurance, baggage insurance on personal effects, and trip cancellation or trip interruption insurance;</p>	<p>AS 21.27.150. LIMITED LICENSES. The director may issue limited licenses as travel insurance agents to persons selling transportation tickets of a common carrier of persons or property who may act as agents only for transportation ticket policies of disability insurance or baggage insurance on personal effects.</p>	<p>Expands to include trip cancellation and trip interruption insurance.</p>
<p>(2) disability insurance limited producer license to a resident of this state whose sole purpose is to be appointed by and act as an agent for disability insurance pertaining to sports and recreation;</p>	<p>AS 21.27.060. This requirement does not apply to (1) applicants for limited licenses, as travel insurance agents only, under AS 21.27.150, or, at the discretion of the director, to applicants for licenses as disability insurance agents for the purpose of handling limited coverages pertaining to sports and recreation;</p>	
<p>(3) title insurance limited producer license to a person whose place of business is located in this state and whose sole purpose is to be appointed by and act on behalf of a title insurer.</p>		<p>Relocated from AS 21.66.270. Reflects current license type.</p>
<p>(4) bail bond limited producer license to a person whose place of business is located in this state and whose sole purpose is to be appointed by and act on behalf of a surety insurer pertaining to bail bonds;</p>		<p>Reflects current license type.</p>
<p>(5) fraternal benefit society limited producer license to a person whose sole purpose is to be appointed by and to act on behalf of a fraternal benefit society licensed under AS 21.84;</p>		<p>Relocated from AS 21.84.410 - 460. Reflects current license type.</p>

<p>(6) retired insurance producer license to a resident who is retiring or is retired from the business of insurance and surrenders all in-force licenses to allow the person to receive a continuing commission in regard to insurance transacted before retirement; a retired insurance producer licensee may not solicit, induce, negotiate, or effectuate contracts of insurance; the director may renew a retired insurance producer license if the licensee ceases to be a resident of this state;</p>		<p>New. Allows special license for retiree so that contingent commissions may be collected by licensee.</p>
<p>(7) the director may waive the bond required under AS 21.27.530(5) for a person licensed under this section.</p>		<p>Allows director to waive bond requirements for limited license.</p>
<p>* Sec. 68. AS 21.27.160 is repealed and reenacted to read:</p>	<p>AS 21.27.160</p>	
<p>Sec. 21.27.160. SCOPE OF LICENSES. An insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, or independent adjuster is only required to have one license inclusive of all kinds or combination of kinds or all classes or combination of classes of insurance the insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, or independent adjuster is licensed to handle.</p>	<p>AS 21.27.160. SCOPE OF LICENSES. (a) An agent, general agent, broker, solicitor, or adjuster is only required to have one type of license inclusive of all kinds of combination of kinds of insurance the agent, general agent, broker, adjuster, or solicitor is licensed to handle, regardless of the number of represented insurers.</p> <p>(b) The following license types may be issued:</p> <p>(1) an all lines license;</p> <p>(2) a property or casualty lines license, or</p> <p>(3) a life lines license.</p>	<p>Reflects additional licensee types. Allows more flexibility on scope of license.</p>

* Sec. 69. AS 21.27.170 is amended to read:	AS 21.27.170	
<p>Sec. 21.27.170. <u>INSURANCE VENDING MACHINES LICENSE.</u> (a) A licensed <u>insurance producer that has a place of business in this state</u> [RESIDENT AGENT] may solicit applications for and issue policies <u>on behalf of an admitted insurer providing</u> [OR] personal travel accident insurance by means of a mechanical vending machine supervised by the <u>licensed insurance producer</u> [AGENT] and placed at airports, railroad stations, bus stations, and similar places where transportation tickets are sold as a convenience to the traveling public, if the director finds that</p>	<p>AS 21.27.170. <u>INSURANCE VENDING MACHINES.</u> (a) A licensed resident agent may solicit applications for and issue policies of personal travel accident insurance by means of a mechanical vending machine supervised by the agent and placed at airports, railroad stations, bus stations, and similar places where transportation tickets are sold as a convenience to the traveling public, if the director finds that</p>	<p>Editorial change. Requires insurer to be admitted.</p>
<p>(1) the policy to be sold provides reasonable coverage and benefits, is reasonably suited for sale and issuance through vending machines, and that use of a machine in a particular proposed location would be of material convenience to the public;</p>	<p>(1) the policy to be sold provides reasonable coverage and benefits, is reasonably suited for sale and issuance through vending machines, and that use of a machine in a particular proposed location would be of material convenience to the public;</p>	<p>No change.</p>
<p>(2) the type of vending machine proposed to be used is reasonably suitable and practical for the purpose;</p>	<p>(2) the type of vending machine proposed to be used is reasonably suitable and practical for the purpose;</p>	<p>No change.</p>
<p>(3) reasonable means are provided for informing the prospective purchaser of the policy of the coverage and restrictions of the policy;</p>	<p>(3) reasonable means are provided for informing the prospective purchaser of the policy of the coverage and restrictions of the policy;</p>	<p>No change.</p>
<p>(4) reasonable means are provided for refund to the applicant or prospective applicant of money inserted in defective machines and for which no insurance, or a less amount than that paid for is actually received.</p>	<p>(4) reasonable means are provided for refund to the applicant or prospective applicant of money inserted in defective machines and for which no insurance, or a less amount than that paid for is actually received.</p>	<p>No change.</p>

<p>(b) The director shall issue to the <u>licensed insurance producer</u> [AGENT] a special vending machine license for each machine to be used. The license must specify the name and <u>mailing</u> address of the insurer and <u>insurance producer</u> [AGENT], the name of the policy to be sold, the serial number of the machine, and the <u>physical location</u> [PLACE] where the machine is to be in operation. The <u>special vending machine</u> license is subject to <u>nonrenewal</u>, suspension, or revocation coincidentally with that of the <u>insurance producer</u> [AGENT]. The director shall also revoke the license on a machine if the director finds that the conditions upon which the machine was licensed, under (a) of this section, no longer exist. Proof of the existence of a license shall be displayed on or about each vending machine in use in the manner the director may [REASONABLY] require.</p>	<p>(b) The director shall issue to the agent a special vending machine license for each machine to be used. The license must specify the name and address of the insurer and agent, the name of the policy to be sold, the serial number of the machine, and the place where the machine is to be in operation. The license is subject to suspension, or revocation coincidentally with that of the agent. The director shall also revoke the license on a machine if the director finds that the conditions upon which the machine was licensed, under (a) of this section, no longer exist. Proof of the existence of a license shall be displayed on or about each vending machine in use in the manner the director may reasonably require.</p>	<p>Reflects change to insurance producer license and biennial renewal process.</p>
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Proposed Legislation	Existing Statute	Comments
<p>* Sec. 70. AS 21.27.190 is repealed and reenacted to read:</p> <p>Sec. 21.27.190. BOND. (a) In addition to any other requirements in this title, a bond or an alternative indemnity permitted under this section shall meet the following requirements:</p>	<p>AS 21.27.190</p> <p>AS 21.27.190 BROKER BOND. (a) Each applicant for a broker license shall file with the application and shall after that maintain in force while licensed a bond in favor of the people of the state, executed by an authorized corporate surety approved by the director, in the amount of \$10,000. The bond may be continuous in form, and total aggregate liability on the bond may be limited to the payment of \$10,000. The bond must be contingent on the accounting by the broker, to a person requesting the broker to obtain insurance, for money or premiums collected in connection with the insurance.</p> <p>(b) The bond shall remain in force until the surety is released from liability by the director, or until the bond is canceled by the surety. Without prejudice to any liability accrued before the cancellation, the surety may cancel the bond upon 30 days advance notice in writing filed with the director.</p>	<p>Establishes minimum requirements for all types of license bonds required by type of license.</p>
(1) it shall be continuous in form;		See comments for AS 21.27.190(a) above.
(2) it shall remain in force until the licensee is released from liability by the director or until cancelled by the issuer;		See comments for AS 21.27.190(a) above.
(3) without prejudice to any liability accrued before the effective cancellation, it may be cancelled if the director receives 60 days advance written notice;		See comments for AS 21.27.190(a) above.
(4) the amount required to be maintained must be maintained unimpaired; and		See comments for AS 21.27.190(a) above.
(5) it shall be in favor of insurers, insureds, and this state.		See comments for AS 21.27.190(a) above.

Proposed Legislation	Existing Statute	Comments
(b) A bond may only be issued by an admitted insurer authorized to transact surety insurance in this state that is acceptable to the director.		Clarifies who may issue bond in this section.
(c) For a firm licensee, a single bond or an alternative indemnity permitted under this section may combine the sureties required (1) by separate sections of this title; and (2) for separate places of business.		Allows firm to secure a single bond to cover multiple licenses and locations. Reduces cost to industry.
(d) An individual in the firm who acts solely on behalf of a firm that has and maintains a bond or an alternative permitted under this section may not be required to also have and maintain a bond if the individual in the firm deposits all money into the firm's fiduciary account.	(c) An individual who acts on behalf of a firm that files and maintains in force the bond described in (a) of this section is exempt from the requirements of (a) of this section.	Clarification.
(e) Except as provided in this title, the director may adopt, by regulation, a deposit of cash, a certificate of deposit, or letter of credit as an alternative to a bond if the deposit of cash, certificate of deposit, or letter of credit meets the requirements of this section, other provisions of this title, and other requirements established by the director.	(d) The director may adopt, by regulation, an alternative to the bond required by this section.	Clarifies type and scope of alternative to bonding.
To be repealed. See Sec. 221.	AS 21.27.200 BROKERS AUTHORITY AND COMMISSIONS (a) A broker is not an agent or other representative of an insurer and does not have power as a broker to bind the insurer regarding a risk or an insurance contract.	Moved to Article 2 Sec. 21.27.530 - 570.
To be repealed. See Sec. 221.	(b) An insurer or agent has the right to pay to a broker licensed under this title, or under the laws of another state or a province, and the broker has the right to receive from the insurer or agent, the customary commissions upon insurances placed in the insurer by the broker.	Moved to Article 2 Sec. 21.27.530 - 570.

Proposed Legislation	Existing Statute	Comments
To be repealed. See Sec. 221.	(c) In determining an insured's entitlement to coverage or return premium, a premium payment made to a broker shall be considered received by the insurer if (1) the payment was, at the time it was made, designated for specific coverage; and (2) the insurer accepted or acknowledged coverage by issuing a policy, binder, or other contract for temporary insurance.	Moved to Article 2 Sec. 21.27.530 - 570.
To be repealed. See Sec. 221.	(d) A broker may not knowingly accept payment for coverage until coverage is authorized by an insurer.	Moved to Article 2 Sec. 21.27.530 - 570.
To be repealed. See Sec. 221.	(e) Except as provided under (c) of this section, this section is not intended to alter the common law of agency as applied to transactions under this title.	Moved to Article 2 Sec. 21.27.530 - 570.
To be repealed. See Sec. 221.	AS 21.27.210 AGENT BROKER COMBINATIONS A licensed agent may be licensed as a broker and be a broker as to insurers for which the licensed agent is not then licensed as agent. A licensed broker may be licensed as and be an agent as to insurers appointing the licensed broker as agent. The sole relationship between a broker and an insurer as to which the broker is licensed as an agent shall, as to transactions arising during the existence of the agency appointment, be that of insurer and agent.	Moved to Article 2 Sec. 21.27.530 - 570.
To be repealed. See Sec. 221.	AS 21.27.240 FEE FOR AND CUSTODY OF SOLICITOR'S LICENSE. (a) An agent, general agent, or broker who employs a solicitor shall pay the fee for issuance, or annual fee for continuation, of a solicitor license.	Obsolete.
To be repealed. See Sec. 221.	(b) The solicitor license shall remain in the possession of the employer. Upon termination of the employment, the license terminates and shall be returned to the director for cancellation.	Obsolete.

To be repealed. See Sec. 221.	AS 21.27.250 LIMITATIONS UPON SOLICITORS. (a) A solicitor license may not cover insurance for which the agent, general agent, or broker by whom the solicitor is employed is not licensed.	Obsolete.
To be repealed. See Sec. 221.	(b) A solicitor does not have power to bind an insurer upon or with reference to a risk or insurance contract, or to countersign insurance contracts.	Obsolete.
To be repealed. See Sec. 221.	(c) An individual may not be licensed as an agent, general agent, or broker while licensed as a solicitor.	Obsolete.
To be repealed. See Sec. 221.	AS 21.27.260 EMPLOYER'S RESPONSIBILITY FOR SOLICITOR. All business transacted by a solicitor under license as a solicitor shall be in the name of the agent, general agent, or broker by whom the solicitor is employed. The agent, general agent, or broker is responsible for all acts or omissions of the solicitor within the scope of employment as solicitor.	Obsolete.
• Sec. 71. AS 21.27.270(a) is amended to read:	AS 21.27.270(a)	
(a) The director may license as a nonresident <u>licensee</u> [INSURANCE AGENT, GENERAL AGENT, BROKER, OR ADJUSTER] a person who otherwise qualifies under this title, but who is not a resident of [OR DOMICILED IN] the state.	(a) The director may license as a nonresident insurance agent, general agent, broker, or adjuster, a person who otherwise qualifies under this title, but who is not a resident of or domiciled in the state.	Reflects new license types.

Proposed Legislation	Existing Statute	Comments
<p>• Sec. 72. AS 21.27.270(c) is repealed and reenacted to read:</p>	<p>AS 21.27.270(c)</p>	
<p>(c) In addition to the other requirements of this chapter, a person may not be licensed as a nonresident licensee until the person files a power of attorney as follows:</p> <p>(1) an applicant shall appoint the director as attorney to receive service of legal process issued against the licensee in this state upon a cause of action arising in this state or relative to a subject resident, located, or to be performed in this state; service upon the director as attorney shall constitute effective legal service upon the licensee; and</p>	<p>(c)A nonresident may not be licensed until the person files the power of attorney provided for in this title.</p> <p>AS 21.27.280 DIRECTOR AS AGENT FOR SERVICE OF PROCESS. (a) A licensed nonresident agent, general agent, broker, or adjuster shall appoint the director as attorney to receive service of legal process issued against the licensee in this state upon causes of action arising in this state. Service upon the director as attorney constitutes effective legal service upon the licensee.</p>	<p>Relocation of AS 21.27.280. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(2) the appointment shall be irrevocable for as long as there could be a cause of action against the licensee arising out of an insurance transaction in this state or relative to a subject resident, located, or to be performed in this state.</p>	<p>(b) The appointment is irrevocable for as long as a cause of action may be brought against the licensee arising out of insurance transactions in this state.</p>	<p>Relocation of AS 21.27.280(b). Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>• Sec. 73. AS 21.27.270 is amended by adding new subsections to read:</p>		
<p>(d) Duplicate copies of legal process against a licensed or formerly licensed nonresident licensee shall be served upon the director either by a peace officer or through certified mail with return receipt requested. At the time of service, the plaintiff shall pay to the director a fee set under AS 21.06.250.</p>	<p>(c) Duplicate copies of legal process against the licensee shall be served upon the director either by a peace officer or through certified mail with return receipt requested. At the time of service the plaintiff shall pay to the director a fee set under AS 21.06.250, taxable as costs in the action.</p>	<p>Relocation of AS 21.27.280(c).</p>
<p>(e) Upon receiving a service of process, the director shall immediately send one of the copies of the process by certified mail with return receipt requested to the licensed or formerly licensed nonresident licensee at the last address of record filed with the director.</p>	<p>(d) Upon receiving a service of legal process, the director shall immediately send one of the copies of the process, by certified mail with return receipt requested, to the defendant licensee at the defendant's last address of record with the director.</p>	<p>Relocation of AS 21.27.280(d).</p>

(f) If, under the law of another state or foreign country, a tax, license, fee, fine, penalty, deposit requirement or other material obligation, prohibition or restriction is or may be imposed upon a licensee of this state that is in excess of the tax, license, fee, fine, penalty, deposit requirement or other material obligation, prohibition or restriction directly imposed upon a similar licensee of another state or country under the statutes of this state, the same tax, license, fee, fine, penalty, deposit requirement or other material obligation, prohibition or restriction may, in the discretion of the director, be imposed by the director upon the licensee of the other state or country transacting or seeking to transact business in this state or relative to a subject resident, located, or to be performed in this state. For the purposes of this section, a tax, license, fee, or other obligation imposed by a city, borough, or other political subdivision or agency or another state or country on a licensee of this state shall be considered imposed by the state or country.

Expands retaliatory language from AS 21.09.270 to all licensees. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.

To be repealed. See Sec. 221.	AS 21.27.280 DIRECTOR AS AGENT FOR SERVICE OF PROCESS. (a) A licensed nonresident agent, general agent, broker, or adjuster shall appoint the director as attorney to receive service of legal process issued against the licensee in this state upon causes of action arising in this state. Service upon the director as attorney constitutes effective legal service upon the licensee.	Moved to AS 21.27.270(c)(1).
To be repealed. See Sec. 221.	(b) The appointment is irrevocable for as long as a cause of action may be brought against the licensee arising out of insurance transactions in this state.	Moved to AS 21.27.270(c)(2).
To be repealed. See Sec. 221.	(c) Duplicate copies of legal process against the licensee shall be served upon the director either by a peace officer or through certified mail with return receipt requested. At the time of service the plaintiff shall pay to the director a fee set under AS 21.06.250, taxable as costs in the action.	Moved to AS 21.27.270(d).
To be repealed. See Sec. 221.	(d) Upon receiving a service of legal process, the director shall immediately send one of the copies of the process, by certified mail with return receipt requested, to the defendant licensee at the defendant's last address of record with the director.	Moved to AS 21.27.270(e).
To be repealed. See Sec. 221.	AS 21.27.310 TRAINEE ADJUSTERS. (a) An individual who has not passed the examination required by AS 21.27.090(a)(3) does not have the experience or special education with reference to the handling of loss claims required under AS 21.27.090(a)(11), but who otherwise meets the requirements of AS 21.27.090 may be employed and licensed as a trainee adjuster, subject to the provisions of this section.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	(b) A licensed adjuster employing a trainee adjuster shall immediately submit to the director the application of the trainee adjuster, with the fee set under AS 21.06.250.	Moved to Article 7 Sec. 21.27.830 - 870.

Proposed Legislation	Existing Statute	Comments
To be repealed. See Sec. 221.	(c) A trainee adjuster shall comply with the adjuster licensing requirements of AS 21.27.090(a)(3) and (11) within 12 months after the effective date of the trainee adjuster license.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	(d) A trainee adjuster shall at all times be under the supervision of a licensed adjuster, and all adjusting transactions shall be in the name of the licensed adjuster, who is responsible for the actions of the trainee adjuster.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	(e) A trainee adjuster is restricted to participation in factual investigation and tentative closing of losses subject to review and final determination by the licensed adjuster.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	(f) Compensation of a trainee adjuster shall be on a salary basis only.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	(g) The director shall terminate the license of a trainee adjuster who is not in compliance with this section. A licensee or other person having possession or custody of the license shall immediately deliver the license to the director either personally or by mail.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	AS 21.27.320 AGENT OR GENERAL AGENT AS ADJUSTER; NONRESIDENT ADJUSTERS. (a) On behalf of and as authorized by an insurer for which the agent or general agent is appointed, an agent or general agent may occasionally act as an adjuster and investigate and report upon claims without being required to be licensed as an adjuster.	Moved to Article 7 Sec. 21.27.830 - 870.
To be repealed. See Sec. 221.	(b) A license by this state may not be required of a nonresident independent adjuster, for the adjustment in this state of a single loss, or of losses arising out of a catastrophe common to all such losses.	Moved to Article 7 Sec. 21.27.830 - 870.

<p>* Sec. 74. AS 21.27.330 is repealed and reenacted to read:</p>	AS 21.27.330	
<p>Sec. 21.27.330. PLACE OF BUSINESS. A licensed insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, and independent adjuster, other than those licensed for life or disability insurance or annuity only, shall have and maintain a place of business physically accessible to the public where the licensee principally conducts transactions under the license in this state, or if a nonresident licensee, in the state of residence. The address of the place of business must appear on each license, and the licensee shall within 30 days notify the director in writing by certified mail of a change of address or place of business. If the licensee maintains more than one place of business, the licensee shall obtain a separate license for each place of business and pay a license fee for each license.</p>	<p>AS 21.27.330 PLACE OF BUSINESS. A licensed agent, general agent, broker, and adjuster, other than those licensed for life or disability insurances or annuities only, shall have and maintain in this state, or if a nonresident agent or nonresident broker, in the state of domicile, a place of business accessible to the public where the licensee principally conducts transactions under the licenses. The address of the place of business must appear on all licenses of the licensee, and the licensee must promptly notify the director of any change of address. If the licensee maintains more than one place of business in this state, the licensee shall obtain a license or licenses for each additional place, and shall pay an additional license fee for each license.</p>	<p>Editorial changes. Includes new license types.</p>
<p>* Sec. 75. AS 21.27.340 is repealed and reenacted to read:</p>	AS 21.27.340	
<p>Sec. 21.27.340. PUBLIC DISPLAY OF LICENSE. The license of a licensee other than a licensee whose license has a scope of only life or disability insurance or annuity shall be conspicuously displayed in that part of the place of business that is customarily open to the public.</p>	<p>AS 21.27.340 PUBLIC DISPLAY OF LICENSE. (a) The license or licenses of each agent, general agent, broker, and adjuster, other than licenses as to life or disability insurances or annuities only, shall be displayed in a conspicuous place in that part of the place of business that is customarily open to the public. b) The license of a solicitor shall be displayed in each place of business of the agent, general agent, or broker by whom the solicitor is employed.</p>	<p>Reflects general handling for all types of license.</p>

* Sec. 76. AS 21.27.350 is repealed and reenacted to read:	AS 21.27.350	
<p>Sec. 21.27.350. RECORDS OF LICENSEES.</p> <p>(a) A licensee shall document each action taken in regard to an insurance transaction. The documentation must contain all notes, work papers, documents, and similar material, and be in sufficient detail that relevant events, the dates of those events, and all persons participating in those events can be identified. The documentation must include a record of each insurance contract procured, issued, or countersigned, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance; the names of other licensees from whom business is accepted, and of persons to whom commissions or allowances are promised or paid; and a record of each investigation or adjustment undertaken or consummated, and a statement of the fee, commission, or other compensation received or to be received on account of the investigation or adjustment.</p> <p>(b) A licensee shall keep at the licensee's place of business or at the place of business of an admitted insurer a complete record of transactions under the license. An admitted insurer shall maintain records received from a licensee as required by this section.</p>	<p>AS 21.27.350. RECORDS OF AGENTS, BROKERS, ADJUSTERS</p> <p>(a) An agent, general agent, broker, or adjuster shall keep at the address shown on the license a record of all transactions consummated under the license. This record shall be in organized form and must include</p> <p>(1) if an agent, general agent, or broker,</p> <p>(A) a record of each insurance contract procured, issued, or countersigned, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance;</p> <p>(B) the names of any other licensees from whom business is accepted, and of persons to whom commissions or allowances of any kind are promised or paid;</p> <p>(2) if an adjuster, a record of each investigation or adjustment undertaken or consummated, and a statement of the fee, commission, or other compensation received or to be received by the adjuster on account of the investigation or adjustment;</p> <p>(3) additional information that is customary, or that may reasonably be required by the director.</p>	<p>Reflects new license types. Clarifies required documentation.</p>

<p>(c) The records of a particular transaction shall be retained and kept open for examination and inspection by the director at any business time during the five years immediately after the date of the completion of the transaction or 10 years for reinsurance transactions, unless the director orders a longer period of retention. If a licensee assumes the business of another licensee or former licensee by merger, purchase, or otherwise, the principal or manager of the assuming licensee firm shall provide to the director in writing each location where the assumed licensee's records are maintained by the assuming licensee during the period in which the records must be kept available and open to the inspection of the director. A formerly licensed person shall provide to the director in writing each location where records shall be maintained during the period in which the records of a particular transaction must be kept available and open to the examination and inspection of the director. A formerly licensed person may, with the permission of the director, arrange to have a current licensee or the home office of the last known insurer of each policyholder, maintain the records open to the examination and inspection of the director during the period in which the records must be maintained.</p>	<p>(b) The records of a particular transaction shall be kept available and open to the inspection of the director at any business time during the five years immediately after the date of the completion of the transaction.</p>	<p>Provides for record availability of formerly licensed persons.</p>
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<p>(d) In addition to the record required under (a) of this section, a licensee shall have and maintain at the licensee's principal place of business current accounting and financial records maintained under generally accepted accounting principles.</p> <p>(e) A licensee shall reply in writing within 10 working days to a records inquiry of the director. The director may inspect or request summary or detailed copies of records for examination by the division. Accounting and financial records inspected or examined under this section are confidential when in the possession of the division, but may be used by the director in a proceeding against the licensee. For purposes of this section, the records of a firm shall include and be considered the records of an individual licensee acting on behalf of the firm.</p>	<p>(c) In addition to the record required under (a) of this section, each agent, general agent, or broker shall have and maintain at the principal place of business current accounting and financial records maintained under generally accepted accounting principles. The director may request summary or detailed copies for examination by the division. Records examined under this subsection are confidential when in the possession of the division, but may be used by the director in a proceeding against the licensee. For purposes of this subsection, the records of a firm are the records of an individual licensee acting on behalf of the firm.</p>	<p>Requires response to Division of Insurance inquiries within 10 days. Firm to maintain records for individuals in the firm.</p>
<p>• Sec. 77. AS 21.27.360(b) is amended to read:</p>	<p>AS 21.27.360(b)</p>	
<p>(b) All money, except that made payable to the insurer, representing <u>premium taxes and fees</u>, premiums or return premiums received by the licensee, shall be received in the fiduciary account of the licensee [AND SHALL BE DEPOSITED IN A BANK ACCOUNT OR DEPOSITORY SEPARATE FROM ANY OTHER ACCOUNT OR DEPOSITORY.] and shall be promptly accounted for and paid to the <u>person</u> [INSURED, INSURER, OR AGENT] entitled to the money. For purposes of this <u>section</u> [SUBSECTION], the fiduciary account of the firm shall be considered the fiduciary account of an individual licensee acting on behalf of the firm <u>and shall be the responsibility of the firm</u>. Money deposited into a fiduciary account may not be commingled or otherwise combined with other money, except as allowed under (d) of this section <u>and AS 21.27.365</u>.</p>	<p>(b) All money, except that made payable to the insurer, representing premiums or return premiums received by the licensee, shall be received in the fiduciary account of the licensee and shall be deposited in a bank account or depository separate from any other account or depository, and shall be promptly accounted for and paid to the insured, insurer, or agent entitled to the money. For purposes of this subsection, the fiduciary account of the firm shall be considered the fiduciary account of an individual licensee acting on behalf of the firm. Money deposited into a fiduciary account may not be commingled or otherwise combined with other money, except as allowed under (d) of this section.</p>	<p>Reflects ability to use alternative to separate trust account.</p>

<p>• Sec. 78. AS 21.27.360(c) is repealed and reenacted to read:</p>	<p>AS 21.27.360(c)</p>	
<p>(c) In addition to any other penalty provided by law, a person who the director has determined has acted to divert or appropriate fiduciary account money for personal use shall be ordered to make restitution and shall be subject to suspension or revocation under AS 21.27.420 - 21.27.435 of all licenses and a civil penalty not to exceed \$50,000 for each violation.</p>	<p>(c) A licensee who, is determined by the director, following an appropriate hearing as provided in AS 21.06.170—21.06.230, to have unlawfully diverted or appropriated money to personal use, is subject to a civil penalty not to exceed \$25,000 for each violation.</p>	<p>Requires restitution of mis appropriated money and increases maximum penalty for deterrence of illegal activities.</p>
<p>• Sec. 79. AS 21.27.360(d) is amended to read:</p>	<p>AS 21.27.360(d)</p>	
<p>(d) A licensee may <u>only</u> commingle <u>premium taxes and fees, premiums, and return premiums</u> with [PREMIUM MONEY,] additional money for the purpose of advancing premiums, establishing reserves for the payment of return premiums, or reserves for receiving and transmitting premium or return premium money. Money collected for the payment of premium taxes, policy or filing fees, late payment charges, and interest from fiduciary money on deposit, may be commingled in a fiduciary account, but shall be separately accounted for and periodically removed from the fiduciary account.</p>	<p>(d) A licensee may commingle with premium money, additional money for the purpose of advancing premiums, establishing reserves for the payment of return premiums, or reserves for receiving and transmitting premium or return premium money. Money collected for the payment of premium taxes, policy or filing fees, late payment charges, and interest from fiduciary money on deposit, may be commingled in a fiduciary account, but shall be separately accounted for and periodically removed from the fiduciary account.</p>	<p>Editorial changes.</p>
<p>• Sec. 80. AS 21.27.360(e) is amended to read:</p>	<p>AS 21.27.360(e)</p>	
<p>(e) A licensee may not treat money required to be in a fiduciary account as a personal asset, as collateral for a personal or business loan, or as a personal asset or income on a financial statement, except that money in a fiduciary account may be included in a financial statement of the licensee if clearly identified as fiduciary account assets <u>and liabilities</u>.</p>	<p>(e) A licensee may not treat money required to be in a fiduciary account as a personal asset, as collateral for a personal or business loan, or as a personal asset or income on a financial statement, except that money in a fiduciary account may be included in a financial statement of the licensee if clearly identified as fiduciary account assets.</p>	<p>Editorial changes.</p>

<p>• Sec. 81. AS 21.27.360(f) is repealed and reenacted to read:</p>	AS 21.27.360(f)	
<p>(f) This section does not apply to an individual in the firm who acts solely on behalf of a firm that maintains compliance with this section and deposits all money into the firm's fiduciary account.</p>	<p>(f) In this section, "fiduciary account" means an account in which the licensee holds money as a trustee for the insured, insurer, general agent, surplus lines broker, or agent entitled to the money.</p>	<p>Definition moved to AS 21.27.900. Paragraph clarifies when individual in the firm need not maintain a separate fiduciary account.</p>
<p>To be repealed. See Sec. 221</p>	<p>(g) The director may adopt regulations as necessary to implement this section.</p>	<p>Exists in general authority.</p>
<p>• Sec. 82. AS 21.27 is amended by adding a new section to read:</p>		
<p>Sec. 21.27.365. DEPOSIT OR SURETY BOND IN PLACE OF FIDUCIARY ACCOUNT. (a) Instead of maintaining a separate fiduciary account for premium trust funds, a licensed firm, eligible under (c) of this section, may apply in writing to the director for permission to maintain, while licensed or thereafter as the director may require, the deposit or surety bond described in (b) of this section.</p>		<p>New section allows licensee an alternative to maintenance of a separate fiduciary account for premium trust funds.</p>
<p>(b) A deposit in a financial institution as defined by regulation or a surety bond executed by an authorized insurer acceptable to the director shall be maintained in an amount not less than 10 percent of the eligible licensee's prior year's gross written premium on insurance in this state or relative to a risk resident, located, or to be performed in this state, and in trust in favor of the director for the protection of an insurer, insured, and this state.</p>		<p>Establishes permissible alternatives to a separate fiduciary account for premium trust funds. Provides minimum security standards for insureds and insurers benefit. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(c) To become and to remain eligible under this section, a licensed firm shall</p>		<p>Establishes minimum eligibility requirements.</p>
<p>(1) have been licensed in good standing in this state for the last two calendar years;</p>		<p>Establishes minimum eligibility requirements.</p>

Proposed Legislation	Existing Statute	Comments
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(2) file with the director with its application, and by June 1 of each subsequent year		Establishes minimum eligibility requirements.
(A) a premium report certified by an independent certified public accountant licensed in this state, of the prior two calendar year's gross written premiums on insurance in this state or relative to a risk resident, located, or to be performed in this state; this report may include all places of business of the firm; and		Establishes minimum eligibility requirements. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.
(B) a report that certifies that the licensee's system of accounting, internal control, and procedure is operating effectively to provide reasonable assurance that premium taxes and fees, premiums, and return premiums are promptly accounted for and paid to the person entitled to the money;		Establishes minimum eligibility requirements.
(3) be current in paying this state's taxes and fees; and		Establishes minimum eligibility requirements.
(4) satisfy additional requirements that the director may establish by regulation.		Establishes minimum eligibility requirements.
(d) Deposits under (b) of this section shall be administered under the procedures described in AS 21.24.030 - 21.24.090 and 21.24.120 - 21.24.130, as if the licensee were the insurer. Income from the deposit is the property of the firm making the deposit.		Establishes procedures for administering deposit consistent with other deposits under Title 21.
(e) if the director approves a licensee's application, the licensee as a fiduciary shall account for premium taxes and fees, premiums, and return premiums received and promptly pay the money to the person entitled to its receipt. The director may exempt the licensee from trust accounting requirements established by regulation.		Allows director flexibility to match trust accounting regulations to an individual licensee's accounting system.

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 83. AS 21.27.370 is repealed and reenacted to read:</p>	<p>AS 21.27.370</p>	
<p>Sec. 21.27.370. SHARING COMPENSATION. (a) A licensee may not compensate or offer to compensate a person, other than an insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, or surplus lines broker, licensed by this state who is acting within the scope of their license, for procuring or in any manner helping to procure applications for insurance or to place insurance in this state or relative to a risk resident, located, or to be performed in this state. Nothing in this subsection prohibits the payment of compensation to a regular employee of an insurance producer or managing general agent by the employing licensee that is not contingent upon the volume of business transacted.</p>	<p>AS 21.27.370 SHARED COMMISSIONS. (a) An agent, general agent, solicitor, or broker may not compensate or offer to compensate in any manner a person other than an agent, general agent, solicitor, or broker licensed in this or any other state or province, for procuring or in any manner helping to procure applications for or to place insurance in this state. Nothing in this subsection prohibits the payment of compensation which is not contingent upon volume of business transacted in the form of salaries to the regular employees of the agent, general agent, solicitor or broker.</p>	<p>Reflects new license types. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(b) A licensee may not be promised or paid, directly or indirectly, compensation for procuring an application or for placing a kind or class of insurance for which the licensee is not then licensed to procure or place or for insurance that the licensee is prohibited by this title from procuring or placing.</p>	<p>(b) A licensee may not be promised or allowed compensation on account of the procuring of applications for or placing of kinds of insurance that the licensee is not then licensed to procure or place.</p>	<p>Editorial changes.</p>
<p>(c) In addition to any other penalty provided by law, the director shall suspend or revoke the license of an individual licensee and a firm licensee participating in a violation of this section. The director may order a licensee who violates this section to pay a penalty of not more than three times the compensation promised or paid.</p>	<p>(c) The director shall suspend or revoke the license of each licensee participating in a violation of this section.</p>	<p>Includes firm as well as individual responsibility. Establishes penalty to prevent profiting from illegal transactions.</p>

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 84. AS 21.27.380 is repealed and reenacted to read:</p> <p>Sec. 21.27.380. LICENSE RENEWAL, LAPSE, AND REINSTATEMENT. (a) Except as provided in this title, the director may renew a license biennially on a date set by the director if the licensee continues to be qualified under this chapter and if renewal license fees set under AS 21.06.250 for each license are received by the director on or before the close of business of the renewal date. A licensee is responsible for knowing the date that a license lapses and to renew a license before expiration. The director shall mail a renewal notice to the licensee's current address on file with the director 30 days before the renewal date.</p>	<p>AS 21.27.380</p> <p>AS 21.27.380 LICENSE CONTINUATION. (a) A license continues in force, upon payment of</p> <p>(1) an annual fee set under AS 21.06.250 for resident and nonresident agent, general agent, solicitor, and adjuster licenses that must be received by the director on or before the close of business on the 30th day of June;</p> <p>(2) an annual fee set under AS 21.06.250 for resident and nonresident broker licenses that must be received by the director on or before the close of business on the 31st day of December.</p> <p>(b) An agent, general agent, or broker shall file the annual fee set under AS 21.06.250 on behalf of a solicitor employed by the agent, general agent, or broker.</p> <p>(c) A license continues in force if, in addition to meeting the other requirements of this chapter, the individual licensee, or, if a firm licensee, the principal or manager demonstrates to the director that the licensee continues to meet additional educational requirements that the director prescribes by regulation.</p>	<p>Establishes biennial license renewal. Requires continued qualification for renewal. Allows director to spread renewal dates throughout two years for more efficient processing.</p>

Proposed Legislation	Existing Statute	Comments
<p>(b) If a license is not renewed on or before the renewal date set by the director, the license lapses. A licensee may not act as or represent to be an insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, or independent adjuster during the time a license has lapsed. The director may reinstate a lapsed license if the person continues to qualify for the license, pays renewal license fees, and a delayed renewal penalty. Reinstatement does not exempt a person from a penalty provided by law for transacting business while unlicensed. A license may not be renewed if it has lapsed for two years or longer.</p>	<p>(c) If payment of the annual license fee is not received by the director before the due date as required under this section, the licensee shall pay to the director and the director shall collect, in addition to the regular fee, a surcharge as established by regulation under AS 21.06.250. This subsection does not exempt a person from a penalty provided by law for transacting business without a valid license.</p>	<p>Reflects all types of license covered by chapter. Establishes lapsed license and reinstatement procedure.</p>
<p>(c) If a licensee does not wish to renew a license issued under this chapter, the licensee shall surrender the license to the director on or before the close of business of the renewal date in the manner prescribed in AS 21.27.460.</p>	<p>(d) If a licensee does not wish to continue a license issued under this chapter, the licensee shall surrender the license as provided in AS 21.27.460.</p>	<p>Editorial changes.</p>
<p>(d) Notice of lapse from the director shall be mailed to a licensee at the licensee's last address on record with the director. The director shall obtain a certificate of mailing from the United States Postal Service.</p>		<p>Establishes notice of lapse procedure.</p>
<p>(e) A trainee license issued to an insurance producer or an independent adjuster shall be for a term not to exceed 12 months and may not be renewed.</p>		<p>Establishes term of license for trainee insurance producer or a trainee independent adjuster.</p>
<p>(f) A two-year trainee license issued to a managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, or surplus lines broker may be renewed only once.</p>		<p>Establishes term of license for trainee managing general agent, trainee reinsurance intermediary broker, trainee reinsurance intermediary manager, or trainee surplus lines broker.</p>

<p>* Sec. 85. AS 21.27.390 is repealed and reenacted to read:</p>	<p>AS 21.27.390</p>	
<p>Sec. 21.27.390. TEMPORARY LICENSE. (a) The director may issue a temporary license only to a person who, except for experience, training, or the taking of an examination, meets all qualifications for a permanent license and if the person is</p>	<p>AS 21.27.390 TEMPORARY LICENSE. (a) The director may issue a temporary license to</p>	<p>Editorial changes.</p>
<p>(1) the surviving spouse, next of kin, or the administrator or executor of a deceased licensed insurance producer or managing general agent;</p>	<p>(1) the surviving spouse or next of kin or to the administrator or executor of a deceased licensed agent, general agent, or broker;</p>	<p>Editorial changes.</p>
<p>(2) the spouse, next of kin, employee, or legal guardian of a licensed insurance producer or managing general agent who is disabled from transacting insurance because of sickness, insanity, or injury;</p>	<p>(2) the spouse, next of kin, employee, or legal guardian of a licensed agent, general agent, or broker who is disabled because of sickness, insanity, or injury;</p>	<p>Editorial changes.</p>
<p>(3) a surviving member, officer, or employee of a firm licensed as insurance producer or managing general agent upon the death of the principal or manager of the firm holding the same licenses as the firm; or</p>	<p>(3) a surviving member, officer, or employee of a firm licensed as agent, general agent, or broker, upon the death of principal or manager of the firm holding the same licenses as the firm; or</p>	<p>Editorial changes.</p>
<p>(4) the designee of a licensed insurance producer who enters active service in the armed forces of the United States, but only for insurance relating to insurers for whom the licensee was acting as an agent.</p>	<p>(4) the designee of a licensed agent who enters active service in the armed forces of the United States.</p>	<p>Editorial changes.</p>
	<p>(b) A person must meet the qualifications for a permanent license, except for experience, training, or the taking of any examination, in order to be eligible for a temporary license.</p>	<p>Combined with AS 21.27.380(a)</p>

	(c) The fee paid to the director for issuance of a temporary license under AS 21.06.250 shall be credited toward the fee required for a permanent license which is issued to replace the temporary license before the expiration of the temporary license.	
(b) A temporary license may not be in effect for more than 90 consecutive days, and may not be renewed or reissued for more than one additional 90-day period.	AS 21.27.400 LIMITATION ON TEMPORARY LICENSE. (a) A temporary license may not be effective for more than 90 days in a 12-month period, and the director may refuse to license again a person who has previously been so licensed.	Relocated from AS 21.27.400(a). Revises term.
(c) A temporary licensee may not be appointed by an insurer for which a licensed insurance producer or managing general agent was not appointed at the time of death or commencement of disability.	(b) A person requesting a temporary agent or general agent license because of the death or disability of an agent or general agent may not be appointed by an insurer for which the agent or general agent was not appointed at the time of death or commencement of disability.	Editorial changes.
To be repealed. See Sec. 221	AS 21.27.400 LIMITATION ON TEMPORARY LICENSE. (a) A temporary license may not be effective for more than 90 days in a 12-month period, and the director may refuse to license again a person who has previously been so licensed.	Moved to AS 21.27.390(b)
To be repealed. See Sec. 221	(b) A person requesting a temporary agent or general agent license because of the death or disability of an agent or general agent may not be appointed by an insurer for which the agent or general agent was not appointed at the time of death or commencement of disability.	Moved to AS 21.27.390(c)

<p>To be repealed. See Sec. 221</p>	<p>(c) A person may not receive a commission or other compensation for writing or renewing "controlled business," as defined in this chapter, under a temporary license unless and until, before the expiration of the temporary license, the person qualifies for and receives a permanent license in place of the temporary license. Otherwise, the licensee under the temporary license may exercise the same powers as under a like permanent license.</p>	<p>Exception removed.</p>
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<p>• Sec. 86. AS 21.27 is amended by adding a new section to read:</p>		
<p>Sec. 21.27.405. HEARING AND ORDER ON VIOLATION. (a) On the complaint of a person or on the motion of the director, the director may conduct an investigation to determine whether a person has violated this chapter.</p>		<p>Similar in effect to AS 21.36. provisions. Establishes procedure to investigate and issue cease and desist orders for violations of this chapter..</p>
<p>(b) If the director determines that a person has violated this chapter, the director shall serve an order upon the person charged requiring that person to cease and desist from engaging in the act or practice. Service required under this subsection shall be by mail with a certificate of mailing from the United States Postal Service. A person aggrieved by the cease and desist order may demand a hearing under AS 21.06.170 - 21.06.240.</p>		<p>See comments on AS 21.27.405(a).</p>
<p>(c) If the director believes that a person has violated a cease and desist order issued under (b) of this section, the director may certify the relevant facts to the superior court for proceedings under AS 44.62.590. In addition to the penalties and remedies provided for in AS 44.62.590, the superior court, upon finding that the cease and desist order has been violated, may order the violator to comply with the order, pay a penalty of not more than \$100,000 for each violation, revoke or suspend the violator's license, and bar the violator from transacting the business of insurance in the future.</p>		<p>See comments on AS 21.27.405(a).</p>

Proposed Legislation	Existing Statute	Comments
• Sec. 87. AS 21.27.410 is repealed and reenacted to read:	AS 21.27.410	
Sec. 21.27.410. DENIAL, NONRENEWAL, SUSPENSION, OR REVOCATION OF LICENSES. (a) The director may deny issuance of or not renew a license, or may suspend or revoke a license issued under this chapter for any of the following:	AS 21.27.410 DISQUALIFICATIONS FOR LICENSE. (a) The director may refuse to issue a license or may suspend or revoke a license issued under this chapter or a surplus line broker license, or may refuse to renew a surplus line broker license, for a cause specified in another provision of this title, or for any of the following causes:	Editorial changes to reflect biennial renewal and additional types of licensee.
(1) a cause for which issuance of the license or its renewal could have been denied had it then existed and been known to the director;	(1) for a cause for which issuance of the license could have been refused had it then existed and been known to the director;	See comments on AS 21.27.410(a).
(2) a violation or participation in a violation of a provision of this title;	(2) if the licensee or applicant willfully violates or knowingly participates in the violation of a provision of this title;	Editorial changes.
(3) wilful misrepresentation or fraud by the licensee or applicant to obtain or attempt to obtain a license;	(3) if the licensee or applicant has obtained or attempted to obtain the license through willful misrepresentation or fraud, or has failed to pass an examination required under this chapter;	Editorial changes.
(4) misappropriation, conversion to personal use, or illegally withholding money required to be held in a fiduciary capacity by a licensee or applicant;	(4) if the licensee or applicant has misappropriated or converted to personal use or has illegally withheld money required to be held in a fiduciary capacity;	Editorial changes.
(5) with intent to deceive, material misrepresentation of the terms or effect of an insurance contract by a licensee or applicant;	(5) if the licensee or applicant has, with intent to deceive, materially misrepresented the terms or effect of an insurance contract; or has engaged or is about to engage in a fraudulent transaction;	Editorial changes.
(6) twisting in violation of AS 21.36.050 or rebating in violation of AS 21.36.100 by a licensee or applicant;	(6) if the licensee or applicant has been guilty of "twisting," under AS 21.36.050, or of rebating, under AS 21.36.100;	Editorial changes.
(7) conviction of a felony;	(7) if the licensee or applicant has been convicted, by final judgment, of a felony;	Editorial changes.

<p>(8) the conduct of affairs under a license if the licensee exhibits conduct considered by the director to reflect incompetence or untrustworthiness, or to be a source of potential injury and loss to the public;</p>	<p>(8) if in the conduct of affairs under the license, the licensee exhibits conduct considered by the director to reflect incompetence, untrustworthiness, or a source of injury and loss to the public;</p>	<p>Editorial changes.</p>
<p>(9) the licensee or applicant dealing with, or attempting to deal with, insurance or to exercise a power relative to insurance outside the scope of the license of the licensee or applicant;</p>	<p>(9) if the licensee or applicant has dealt with, or attempted to deal with, insurances or to exercise powers relative to insurance outside the scope of the licenses of the licensee or applicant;</p>	<p>Editorial changes.</p>
<p>(10) failure to surrender a license as required by this chapter, or revocation of a license within the 12 months preceding the date a new application is received;</p>	<p>(10) if the applicant failed to continue or surrender a similar license as provided in AS 21.27.380, that resulted in revocation of the license within the 12 months preceding the date the new application is received.</p>	<p>Editorial changes.</p>
<p>(11) failure to pass an examination required under this chapter;</p>		<p>New reason for denial or nonrenewal of license.</p>
<p>(12) cheating on an examination required under this title;</p>		<p>New reason for denial or nonrenewal of license.</p>
<p>(13) a licensee or applicant engaging in or about to engage in an unfair or fraudulent insurance transaction;</p>		<p>New reason for denial or nonrenewal of license.</p>
<p>(14) suspension or revocation of a license in another jurisdiction;</p>		<p>New reason for denial or nonrenewal of license.</p>
<p>(15) forgery of another's name to an application for insurance by a licensee or applicant;</p>		<p>New reason for denial or nonrenewal of license.</p>
<p>(16) accepting insurance business from a person not licensed as required by this title if the applicant or licensee knew or should have known that the person was unlicensed.</p>		<p>New reason for denial or nonrenewal of license.</p>
<p>(b) The license of a firm and its principal or manager may be denied, nonrenewed, suspended, or revoked for a violation or cause that relates to a person representing or acting on behalf of the firm.</p>	<p>(b) The license of a firm may be suspended, revoked, or refused for any of the causes that relate to a person acting on behalf of the firm.</p>	<p>Editorial changes.</p>

	(c) The holder of a license that has been revoked or suspended shall surrender the license certificate to the director at the director's request.	Moved to AS 21.27.460.
* Sec. 88. AS 21.27.420 is repealed and reenacted to read:	AS 21.27.420	
Sec. 21.27.420. PROCEDURE FOR SUSPENDING, REVOKING, OR CONDITIONING A LICENSE. (a) After a hearing under AS 21.06.170 - 21.06.240, if the director determines that a person has violated a provision of this title and that the person's license should be suspended or revoked, the director shall issue an order effective 10 days after the date of issuing that the license is suspended or revoked.	AS 21.27.420 PROCEDURE FOR SUSPENDING OR REVOKING A LICENSE. The director may suspend or revoke a license by an order on hearing made as provided in AS 21.06.220 effective 10 days after the date of the giving of the order, subject to the right of the licensee to appeal to the superior court as provided in AS 21.06.230.	Editorial changes.
(b) After a hearing under AS 21.06.170 - 21.06.240, if the director determines the person has violated a provision of this title, the director may place conditions on a person's license if the director finds that the conditions will protect the public from injury or potential injury.		Adds ability to condition license.
* Sec. 81. AS 21.27.430 is repealed and reenacted to read:	AS 21.27.430	Editorial changes.
Sec. 21.27.430. SUSPENSIONS AND REVOCATIONS (a) An order suspending a license shall specify the period during which the license is suspended. A period of suspension may not exceed 12 months.	AS 21.27.430 DURATION OF SUSPENSION. Each order suspending a license shall specify the period during which suspension will be effective, which period may not exceed 12 months.	Editorial changes.
(b) An order revoking a license shall specify the period during which the person may not seek to be licensed in this state or licensed relative to a subject resident, located, or to be performed in this state.		Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.

<p>(c) In addition to any other penalty provided by law, a person whose license has been suspended or revoked shall pay a penalty equal to all or a portion of the compensation received during the suspension or revocation relating to the transaction of insurance,</p>		<p>Prevents profiting during period of suspension or termination.</p>
<p>* Sec. 90. AS 21.27.440 is repealed and reenacted to read:</p>	<p>AS 21.27.440</p>	
<p>Sec. 21.27.440. PAYMENT OF CIVIL PENALTIES. (a) In addition to any other penalty provided by law, a person that the director determines under AS 21.06.170 - 21.06.240 has violated the provisions of this chapter is subject to</p> <p>(1) a civil penalty equal to the compensation promised, paid, or to be paid, directly or indirectly, to a licensee in regard to each violation;</p> <p>(2) either a civil penalty of not more than \$10,000 for each violation or a civil penalty of not more than \$25,000 for each violation if the director determines that the person wilfully violated the provisions of this chapter; and</p> <p>(3) denial, nonrenewal, suspension, or revocation of a license.</p> <p>(b) An order issued by the director that levies a civil penalty shall specify the time period within which the civil penalty must be fully paid. The period may not be less than 15 days or more than one year after the date of the order. Upon failure to pay a civil penalty when due, the director shall revoke, without further hearing, all licenses of the licensee not already revoked.</p>	<p>AS 21.27.010(d) A person that the director determines, following an appropriate hearing as provided in AS 21.06.170—21.06.230, has violated this section is subject to a civil penalty of not more than \$2,500 for each violation.</p> <p>AS 21.27.440 CIVIL PENALTIES MAY BE IMPOSED..After hearing and in addition to or in lieu of the suspension revocation of a license, the director may levy a civil penalty upon the licensee not to exceed \$2,500. The order levying the civil penalty must specify the period within which the civil penalty shall be fully paid. The period may not be less than 15 or more than 30 days after the date of the order. Upon failure to pay the civil penalty when due, the director shall revoke the licenses of the licensee if not already revoked. A civil penalty collected by the director shall be paid to the commissioner of revenue for deposit in the general fund.</p>	<p>Prevents unlicensed persons from profiting from illegal insurance transactions. Distinguishes wilful violations from other violations. Increases maximum penalties to reflect severity of violation and provide deterrence from violations. Provision for installment payment of penalties.</p>

Proposed Legislation	Existing Statute	Comments
To be repealed. See Sec. 221	AS 21.27.450 FINE IN LIEU OF ACTION AGAINST THE LICENSE. Upon the hearing of an appeal from an order suspending or revoking a license issued under this chapter, the court, if it finds that the licensee is guilty of violation of the law and if it considers the suspension or revocation too severe a penalty under the facts as found, may instead impose a fine of not more than \$2,500. Payment of the fine within 10 days after its imposition reinstates or restores the license.	Inherent in courts authority.
* Sec. 91. AS 21.27.460(a) is amended to read:	*AS 21.27.460(a)	
(a) A license issued under this chapter is the property of the state. Within 10 days of an order or notice of nonrenewal [UPON THE TERMINATION], suspension, or revocation of the license, the licensee or other person having possession or custody of the license shall [IMMEDIATELY] deliver it to the director either personally or by <u>certified</u> mail.	(a) A license issued under this chapter is the property of the state. Upon the termination, suspension, or revocation of the license, the licensee or other person having possession or custody of the license shall immediately deliver it to the director either personally or by mail.	Reflects biennial renewal. Minor editorial changes.
* Sec. 92. AS 21.27.460 is amended by adding a new subsection to read:		
(c) Upon a change in the state of residence, a place of business, a mailing address, or in the principal or manager of a firm, a license subject to the change shall be surrendered to the director within 10 days either personally or by certified mail and the division shall reissue the license reflecting the changes if the licensee continues to satisfy the qualifications under this chapter.		Requires surrender of license for reissue when change of condition occurs.

<p>* Sec. 93. AS 21.27 is amended by adding new sections to read:</p>		
<p>ARTICLE 2. INSURANCE PRODUCERS.</p>		<p>This article establishes a single insurance producer license to replace the separate license for agent broker and solicitor.</p>
<p>Sec. 21.27.530. INSURANCE PRODUCER QUALIFICATIONS. In addition to the general qualifications under AS 21.27.020, to qualify for issuance or renewal of an insurance producer license, an applicant or licensee</p>		<p>Establishes qualifications for license</p>
<p>(1) must possess the competence necessary to fulfill the responsibilities of an insurance producer;</p>		<p>See comments for AS 21.27.530 above</p>
<p>(2) if previously licensed in good standing in this state as an insurance producer, must not have had a license suspended or revoked within the previous four calendar years;</p>		<p>See comments for AS 21.27.530 above</p>
<p>(3) for a fraternal society limited insurance producer license, shall file with the application a statement by an officer or director of the appointing fraternal society that affirms that the society has satisfied itself that the applicant is trustworthy and competent to act as its insurance agent;</p>	<p>AS 21.84.430 QUALIFICATIONS, APPLICATION FOR AGENT'S LICENSE. (a) The director may issue an agent's license to a person who has paid an annual license fee set under AS 21.06.250 and who has complied with the requirements of this section, authorizing the licensee to act as an insurance agent on behalf of any society named in the license that is authorized to do business in this state, and who has passed an examination given by the director.</p> <p>(b) Before an insurance agent's license is issued there shall be on file in the office of the director the following documents:</p>	<p>Relocation of AS 21.84.430.</p>

Proposed Legislation	Existing Statute	Comments
<p>(4) for a license with a scope that includes variable contracts, must either be currently registered with the federal Securities and Exchange Commission as a broker-dealer or personally take and pass, to the satisfaction of the director, tests of the knowledge and competence of the applicant concerning securities; and</p>		<p>Incorporates current regulation.</p>
<p>(5) except for an applicant or licensee who represents to be and acts solely on behalf of admitted insurers as an agent and who does not receive money required to be received in the fiduciary account of the licensee, shall file with the application and maintain in force while licensed a bond in the amount of \$10,000, unless a greater amount is required by another provision of this title.</p>	<p>AS 21.27.190 BROKER BOND. (a) Each applicant for a broker license shall file with the application and shall after that maintain in force while licensed a bond in favor of the people of the state, executed by an authorized corporate surety approved by the director, in the amount of \$10,000. The bond may be continuous in form, and total aggregate liability on the bond may be limited to the payment of \$10,000. The bond must be contingent on the accounting by the broker, to a person requesting the broker to obtain insurance, for money or premiums collected in connection with the insurance.</p>	<p>Broker bond requirement is from AS 21.27.190(a).</p>
<p>Sec. 21.27.540. TRAINEE INSURANCE PRODUCERS. (a) Except for life, disability, and annuity insurance, a person who has not passed the examinations required under AS 21.27.060 but who otherwise meets the requirements of AS 21.27.530, may be employed by a licensed insurance producer as a trainee insurance producer.</p>		<p>Establishes trainee license for person who has not passed required examinations.</p>
<p>(b) Before a trainee may transact insurance, the licensed insurance producer employing the trainee insurance producer shall submit to the director the application of the trainee insurance producer, with the fee set under AS 21.06.250, and receive the trainee insurance producer license.</p>		<p>See comments for Sec 21.27.540(a).</p>
<p>(c) The director shall terminate a trainee insurance producer license unless the individual has:</p>		<p>See comments for Sec 21.27.540(a).</p>

Proposed Legislation	Existing Statute	Comments
<p>(1) not later than four months after the effective date of the trainee insurance producer license, comply with the insurance producer licensing requirements of AS 21.27.060 concerning the insurance laws and regulations of this state; and</p>		See comments for Sec 21.27.540(a).
<p>(2) within eight months after the effective date of the trainee insurance producer license, comply with the insurance producer licensing requirements of AS 21.27.060 concerning the knowledge and competence of the licensee and the licensee's duties and responsibilities as a licensee.</p>		See comments for Sec 21.27.540(a).
<p>(d) Upon satisfying the requirements of (c) of this section, a trainee insurance producer shall apply within 30 days for an insurance producer license.</p>		See comments for Sec 21.27.540(a).
<p>(e) A licensed trainee insurance producer</p>		See comments for Sec 21.27.540(a).
<p>(1) shall at all times be working at the direction and under the supervision of the employing licensed insurance producer; file and record documentation must reflect the direction and supervision, and activities must be in the name of the employing licensed insurance producer, who is responsible for all actions of the trainee insurance producer;</p>		See comments for Sec 21.27.540(a).
<p>(2) is restricted to assisting the employing licensed insurance producer to prepare applications; binders; certificates of insurance; schedules of equipment, vehicles, drivers; loss notices to insurers; and invoices; and to performing clerical functions for which a license is not required; file and record documentation must reflect compliance with these restrictions;</p>		See comments for Sec 21.27.540(a).

Proposed Legislation	Existing Statute	Comments
<p>(3) may not transact business 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.</p>		See comments for Sec 21.27.540(a).
<p>(f) In addition to any other penalty provided by law, the director shall revoke the trainee license of a trainee insurance producer that the director determines has violated the provisions of this section. A licensee or other person having possession or custody of the license shall immediately surrender the license to the director either personally or by certified mail.</p>		See comments for Sec 21.27.540(a).
<p>(g) In addition to any other penalty provided by law, if the director determines under AS 21.06.170 - 21.06.240 that the employing licensed insurance producer knew of or should have known that a trainee insurance producer violated this section, the employing licensed insurance producer and firm, principal and manager, if any, are subject to the penalties provided under AS 21.27.440.</p>		See comments for Sec 21.27.540(a).
<p>Sec. 21.27.550. APPOINTMENT OF INSURANCE PRODUCER AS AN AGENT. (a) A person may not act as or represent to be a representative of, authorized or appointed agent of, or other term implying a contractual relationship with a particular admitted insurer, or accept applications on behalf of an admitted insurer, unless the person is licensed as an insurance producer under this chapter and is or becomes an appointed agent of the admitted insurer under AS 21.27.100.</p>	<p>AS 21.27.100 APPOINTMENT OF AGENTS OR GENERAL AGENTS. (a) An insurer appointing an agent or general agent in the state shall file written notice of the appointment with the director on forms prescribed and furnished by the director. If the appointee is licensed and if the necessary licensing fee is paid, the director shall provide to the insurer and to the appointee written notification of the effective date of the appointment.</p>	Relocation of AS 21.27.100(a).

<p>(b) An admitted insurer or managing general agent of an admitted insurer may not enter into an agency agreement with an insurance producer unless the managing general agent and the insurance producer are licensed under this chapter, 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. The written agreement shall be kept in the permanent records of the insurer or managing general agent, if any, and the insurance producer, and be open to inspection by the director.</p>		<p>Requires written agency contract.</p>
<p>(c) All money collected for the account of an insurer shall be held by the insurance producer in a fiduciary account as described under AS 21.27.360, and the insurance producer shall comply with all applicable fiduciary account statutes and regulations.</p>		<p>Derived from AS 21.27.360(b).</p>
<p>(d) An agency agreement may not be assigned in whole or in part by the insurance producer.</p>		<p>Requires managing general agent license.</p>
<p>(e) If the contract permits the insurance producer to settle a claim on behalf of the insurer</p>		<p>Provides consistent insurance producer handling of claims.</p>
<p>(1) a claim must be reported to the insurer within 30 days;</p>		<p>See comments for AS 21.27.540(e).</p>
<p>(2) a copy of the claim file shall be sent to the insurer;</p>		<p>See comments for AS 21.27.540(e).</p>
<p>(3) all insurance claim files shall be the property of the insurer or managing general agent, if any, and insurance producer, but upon an order of liquidation of the insurer, the files shall become the sole property of the insurer or the insurer's estate; the insurance producer shall have reasonable access to and the right to copy the files on a timely basis.</p>		<p>See comments for AS 21.27.540(e).</p>

<p>(f) An insurance producer is subject to the unfair trade practice and fraud provisions under AS 21.36.</p>		<p>Informational.</p>
<p>(g) The insurance producer may not</p>		<p>Activities prohibited under license</p>
<p>(1) bind reinsurance or retrocessions on behalf of the insurer; (2) commit the insurer to participate in insurance or reinsurance syndicates;</p>		<p>Activity prohibited under license because reinsurance intermediary license is required.</p>
<p>(3) appoint an agent or subagent;</p>		<p>Activity prohibited under license because managing general agent license is required.</p>
<p>(4) jointly employ an individual who is employed by the insurer or by the managing general agent; or</p>		<p>Provides for consistency with other licenses.</p>
<p>(5) delegate insurance producer authority to another person.</p>		<p>Activity prohibited under license because managing general agent license is required.</p>
<p>(h) Except as provided under AS 21.27.560, an agency appointment may not extend, directly or indirectly, to a client for whom the insurance producer is a producing broker or for whom insurance is exported to nonadmitted insurers under AS 21.34.</p>		<p>Insurance producer may not be a broker and an agent for the same client. Avoids conflict of interest.</p>
<p>(i) A reinsurance intermediary manager may not enter into an agency agreement with an insurance producer unless both parties are licensed under this chapter, 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 agreement. The written agreement shall be kept in the permanent records of the reinsurance intermediary manager, the reinsurer, and the insurance producer, and be open to inspection by the director. A written agreement must contain the following minimum provisions:</p>		<p>Allows insurance producer to contract with licensed reinsurance intermediary manager. Follows NAIC Model.</p>

Proposed Legislation	Existing Statute	Comments
<p>(1) money collected for the account of a reinsurer must be held by the insurance producer in a fiduciary account as described under AS 21.27.360; the insurance producer shall comply with all applicable fiduciary account statutes and regulations;</p>		See comments on AS 21.27.550(i).
<p>(2) the agreement may not be assigned in whole or in part by the insurance producer;</p>		See comments on AS 21.27.550(i).
<p>(3) the agreement may not permit the insurance producer to settle claims on behalf of the reinsurer or reinsurance intermediary manager; and</p>		See comments on AS 21.27.550(i).
<p>(4) the insurance producer may not</p>		See comments on AS 21.27.550(i).
<p>(A) jointly employ an individual who is employed with the reinsurer or reinsurance intermediary manager; or</p>		See comments on AS 21.27.550(i).
<p>(B) delegate insurance producer authority to another person.</p>		See comments on AS 21.27.550(i).
<p>Sec. 21.27.560. APPOINTMENT OF INSURANCE PRODUCERS AS BROKERS. (a) A client who appoints an insurance producer as its broker in this state or relative to a subject resident, located, or to be performed in this state shall execute a written contract that specifically sets out the duties, functions, powers, authority, and compensation of the insurance producer, if the broker is compensated by a fee paid the client or by a combination of a fee paid by a client and a commission paid by an insurer with which coverage has been placed. The written contract shall be kept in the permanent records of the insurance producer and be open to inspection by the director.</p>		Similar to existing regulation. Reflects change to insurance producer license. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.

<p>(b) The insurance producer may not knowingly accept payment of a premium for coverage until the coverage has been authorized by the insurer. This subsection does not apply to renewal of existing coverage placed by the insurance producer, or to a premium deposit for the purchase of insurance. A premium deposit shall be returned to the client if coverage is not obtained within 10 working days.</p>	<p>AS 21.27.200(c) In determining an insured's entitlement to coverage or return premium, a premium payment made to a broker shall be considered received by the insurer if</p> <p>(1) the payment was, at the time it was made, designated for specific coverage; and</p> <p>(2) the insurer accepted or acknowledged coverage by issuing a policy, binder, or other contract for temporary insurance.</p> <p>(d) A broker may not knowingly accept payment for coverage until coverage is authorized by an insurer.</p>	<p>Moved from AS 21.27.200(c) and (d)</p>
<p>(c) An insurance producer appointed as a client's broker may only receive compensation if the compensation is</p>		<p>Provides alternative means of compensation for insurance producer acting as a broker.</p>
<p>(1) a fee that requires the insurance producer to offset or reimburse the client for the full amount of commission earned by the insurance producer;</p>		<p>See comments on AS 21.27.560(c).</p>
<p>(2) a combination of a fee paid by a client and a commission paid by an insurer with which coverage is placed that may offset or reimburse a client for all or part of a commission earned by the insurance producer if the amount of the commission is disclosed to the client; or</p>		<p>See comments on AS 21.27.560(c).</p>
<p>(3) commission paid by an insurer with which coverage has been placed.</p>		<p>See comments on AS 21.27.560(c).</p>
<p>(d) A contract between a client and an insurance producer may not be assigned in whole or in part by the insurance producer.</p>		<p>Enhances client protection. Keeps client in control of his representation.</p>
<p>(e) An insurance producer appointed as a broker by a client may act as an appointed agent of an admitted insurer and may accept an application, bind coverage, and collect a premium from the client on behalf of the admitted insurer.</p>		<p>Allows clients broker to utilize his relationship with an insurer to his clients advantage and maintain exclusive broker relationship.</p>

<p>(f) A controlling insurance producer may not be appointed as a broker by a client in this state or relative to a subject resident, located, or to be performed in this state unless, in a form acceptable to the director, the controlling insurance producer has disclosed in writing to the client the relationship between the controlling insurance producer and the controlled insurer, each client has acknowledged receipt of the disclosure, and a copy of the acknowledged disclosure is maintained by the controlling insurance producer in its records. The records shall be available for inspection by the director.</p>		<p>From NAIC Model. Prevents insurance producer owned or controlled insurer from favoritism to or improper influence by the insurance producer. Establishes disclosure requirement for insurance producer. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>(g) Money paid by a client to an insurance producer for insurance premiums shall be held by the insurance producer in a fiduciary account as described under AS 21.27.360, and the insurance producer shall comply with applicable fiduciary account statutes and regulations.</p>		<p>Provides protection for insured and insurer funds. Derived from AS 21.27.360(b)</p>
<p>(h) An insured shall be entitled to coverage or a return premium and the premium shall be considered received by the insurer if the premium payment made to the insurance producer was, at the time made, designated for specific coverage, and the insurer accepted or acknowledged coverage by issuing a policy binder or other evidence of temporary insurance, or the insurance producer received information from the insurer in the normal course of business that the insurance had been granted.</p>		<p>Provides protection for insured and insurer funds. Derived from AS 21.27.200(c)</p>
<p>(i) Except as provided under (c) and (e) of this section, this section is not intended to alter the common law of agency as applied to transactions under this title.</p>		<p>Provides protection for insured and insurer funds. Derived from AS 21.27.200(e)</p>

<p>Sec. 21.27.570. OPERATING REQUIREMENTS FOR CONTROLLING INSURANCE PRODUCERS.</p> <p>(a) If the aggregate amount of gross written premium on business placed by a controlling insurance producer exceeds five percent of the admitted assets of the controlled insurer for a calendar year as reported in its most recent financial statement filed with the director, the controlling insurance producer may not place business with the controlled insurer and the controlled insurer may not accept business from the controlling insurance producer unless a written contract is in effect between the parties that</p>		<p>From NAIC Model. Prevents insurance producer owned or controlled insurer from favoritism to or improper influence by the insurance producer. Defines insurance producer owned or controlled. Establishes minimum standards for contractual relationships.</p>
<p>(1) establishes the responsibilities of each party, indicates each party's share of responsibility for each particular function, and specifies the division of responsibilities;</p>		<p>See comments on AS 21.27.570(a).</p>
<p>(2) has been approved by the board of directors of the controlled insurer;</p>		<p>See comments on AS 21.27.570(a).</p>
<p>(3) contains the following minimum provisions:</p>		<p>See comments on AS 21.27.570(a).</p>
<p>(A) the controlled insurer may terminate the contract for cause upon written notice sent by certified mail to the controlling producer and shall suspend the authority of the controlling insurance producer to write business during a dispute regarding the cause for termination;</p>		<p>See comments on AS 21.27.570(a).</p>
<p>(B) the controlling insurance producer shall render accounts to the controlled insurer detailing all transactions including information necessary to support compensation, commissions, charges, and other fees received by, or owing to, the controlling producer;</p>		<p>See comments on AS 21.27.570(a).</p>

Proposed Legislation	Existing Statute	Comments
(C) the controlling insurance producer shall remit money due under the contract to the controlled insurer at least monthly;		See comments on AS 21.27.570(a).
(D) premiums or installments collected shall be due not later than 90 days after the effective date of coverage placed with the controlled insurer;		See comments on AS 21.27.570(a). Protects assets of controlled insurer.
(E) money collected for the account of a controlled insurer shall be held by the controlling insurance producer in a fiduciary account as described under AS 21.27.360, except a controlling insurance producer not required to be licensed under this chapter shall maintain its fiduciary account in compliance with the requirements of its domiciliary jurisdiction;		See comments on AS 21.27.570(a).
(F) a licensed controlling insurance producer shall comply with all applicable fiduciary account statutes and regulations;		See comments on AS 21.27.570(a).
(G) a fiduciary account must be used for all payments on behalf of the controlled insurer;		See comments on AS 21.27.570(a).
(H) the controlling insurance producer shall maintain separate records for each controlled insurer in a form usable by the controlled insurer; the controlled insurer or its authorized representative shall have the right to audit and the right to copy all accounts and records related to the controlled 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 controlling insurance producer in a form usable to the director;		See comments on AS 21.27.570(a). Provides controlled insurer right to access controlling insurance producer records.

<p>(I) the contract may not be assigned in whole or in part by the controlling insurance producer;</p>		<p>See comments on AS 21.27.570(a).</p>
<p>(J) the controlled insurer shall provide, and the controlling producer shall follow, written underwriting standards, rules, procedures, and manuals that must include the conditions for acceptance or rejection of risks, including types of risks that may be written, maximum limits of liability, applicable exclusions, territorial limitations, policy cancellation provisions, the maximum policy term, the rating system, and basis of the rates to be charged;</p>		<p>See comments on AS 21.27.570(a). Prevents discrimination against other producers.</p>
<p>(K) the underwriting standards, rules, procedures, and manuals shall be the same as those applicable to comparable business placed with the controlled insurer by licensees other than the controlling licensee;</p>		<p>See comments on AS 21.27.570(a). Prevents discrimination against other producers.</p>
<p>(L) the rates and terms of the controlling insurance producer's compensation including commissions, charges, and other fees may not be greater than those applicable to comparable business placed with the controlled insurer by licensees other than the controlling licensee;</p>		<p>See comments on AS 21.27.570(a). Prevents discrimination against other producers.</p>
<p>(M) the controlled insurer shall establish a limit, that may be different for each kind or class of business, on the amount of premium that the controlling insurance producer may place with the controlled insurer in relation to the controlled insurer's surplus and total writings;</p>		<p>See comments on AS 21.27.570(a). Prevents discrimination against other producers. Establishes insurer control of underwriting.</p>

<p>(N) the controlled insurer shall notify the controlling insurance producer if an applicable limit is approached and the controlling insurance producer may not place and the controlled licensee may not accept business if the limit under (K) of this paragraph has been reached;</p>		<p>See comments on AS 21.27.570(a). Prevents discrimination against other producers. Establishes insurer control of underwriting.</p>
<p>(O) if the contract provides that the controlling insurance producer, on insurance placed with the controlled insurer, is to be compensated contingent upon the controlling insurer's profits on the placed insurance, the contingent compensation may not be determined or paid until</p>		<p>See comments on AS 21.27.570(a). Protects assets of controlled insurer.</p>
<p>(i) at least five years after the premiums are earned on casualty business and at least one year after the premiums are earned on any other insurance;</p>		<p>See comments on AS 21.27.570(a). Protects assets of controlled insurer.</p>
<p>(ii) a later period established by the director for specified kinds or classes of insurance; and</p>		<p>See comments on AS 21.27.570(a). Protects assets of controlled insurer.</p>
<p>(iii) not until the profits have been verified under (b) of this section;</p>		<p>See comments on AS 21.27.570(a). Protects assets of controlled insurer.</p>

Proposed Legislation	Existing Statute	Comments
<p>(P) the controlling insurance producer may negotiate but may not bind reinsurance on behalf of the controlled insurer on insurance that the controlling insurance producer places with the controlled insurer, except that the controlling insurance producer may bind facultative reinsurance contracts under obligatory agreements if the contract with the controlled insurer contains reinsurance underwriting guidelines including, for both reinsurance assumed and ceded, a list of reinsurers with which automatic agreements are in effect, the coverage and amounts or percentages that may be reinsured, and commission schedules; and</p>		<p>See comments on AS 21.27.570(a). Protects assets of controlled insurer. Limits reinsurance manipulation by insurance producer.</p>
<p>(4) the controlled insurer has an audit committee composed of independent members of the board of directors that meet at least annually with management, the insurer's independent certified public accountants, and an independent actuary specialist acceptable to the director to review the adequacy of the insurer's reserves for losses incurred and outstanding.</p>		<p>See comments on AS 21.27.570(a). Requires independent management.</p>
<p>(b) In addition to any other required loss reserve certification, the controlled 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 controlling insurance producer. The controlled insurer shall file with the director on or before April 1 of each year an opinion of an independent actuary attesting to the adequacy of the reserves for losses incurred and outstanding and reporting the loss ratios for each kind and class of business placed with the controlled insurer by the controlling producer.</p>		<p>Requires independent accounting and validation of controlled insurer operations as relates to reserves.</p>

Proposed Legislation	Existing Statutes	Comments
<p>(c) The controlled insurer shall annually report by kind and class of insurance in a form acceptable to the director the amount of compensation paid to the controlling producer, the percentage the compensation represents to the net premiums written, the amount of compensation paid to uncontrolled producers, and the percentage the compensation represents to the net premiums written.</p>		<p>Allows director to verify that non-discrimination standards are met.</p>
<p>(d) A controlling insurance producer may be examined by the director as if it were the controlled insurer.</p>		<p>Allows director to examine a controlling insurance producer as though an insurer.</p>
<p>(e) If the conservator, rehabilitator, or liquidator of a controlled insurer or formerly controlled insurer has reason to believe that the controlled insurer or formerly controlled insurer suffered loss or damage arising out of a failure to comply with this section by the controlling producer or another person, the conservator, rehabilitator, or liquidator may maintain a civil action for recovery of damages or other relief for the benefit of the controlled insurer or its estate.</p>		<p>Allows a conservator, rehabilitator, or liquidator to reach a controlling insurance producer if its actions led to loss by controlled insurer.</p>
<p>(f) In addition to any other liability and without intent to limit in any manner the rights of policyholders, claimants, auditors, creditors, or third parties, if the director determines after a hearing under AS 21.06.170 - 21.06.240 that a controlling insurance producer caused losses arising out of a violation of this section to a controlled insurer, the director may order the controlling insurance producer to make restitution to the controlled insurer, the rehabilitator, or the liquidator of the controlled insurer for the loss.</p>		<p>Allows director to protect assets of controlled insurer by ordering restitution by a controlling insurance producer if its illegal activities led to loss by controlled insurer.</p>

Proposed Legislation	Existing Statute	Comments
<p>(g) 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 a controlled insurer's certificate of authority may be suspended or revoked. The director may also order the controlling producer to cease placing business with the controlled insurer.</p>		<p>References penalty section of AS 21.27 and the certificate of authority of the controlled insurer. Provides for cease and desist to controlling insurance producer.</p>
<p>(h) This section does not apply to</p>		<p>Exceptions listed.</p>
<p>(1) a person appointed to act on behalf of the controlled insurer as a managing general agent under this chapter;</p>		<p>Activity permitted when done by a licensed managing general agent.</p>
<p>(2) a person who receives no compensation based upon the amount of premiums written with the controlled insurer and who places insurance only with the controlled insurer, only with the controlled insurer and an admitted member or admitted members of the insurer's holding company system, or only with the controlled insurer's parent, affiliate, or subsidiary if admitted in this state;</p>		<p>Limited affiliated company exception.</p>
<p>(3) a person who does not accept insurance placements directly from an insured and who only accepts insurance placements from a nonaffiliated subagent;</p>		<p>Person not dealing with the public.</p>
<p>(4) a controlled insurer and its controlling insurance producer if, except for insurance written through a residual market facility under this title, insurance placements are accepted only from a controlling producer, an insurance producer controlled by the controlled insurer, or a producer that is a subsidiary of the controlled insurer;</p>		<p>Captive insurer exception.</p>
<p>(5) a risk retention group under 15 U.S.C. 3901; or</p>		<p>Preempted by Federal Law.</p>

<p>(6) a risk apportionment plan under AS 21.39.150 or an assigned risk pool under AS 21.39.155.</p>		Assigned risk pool exception
ARTICLE 3. MANAGING GENERAL AGENTS.		
<p>Sec. 21.27.590. MANAGING GENERAL AGENT QUALIFICATIONS. (a) In addition to the general qualifications under AS 21.27.020, to qualify for issuance or renewal of a managing general agent license, an applicant or licensee shall have at least three years active working experience within the previous 10 calendar years in insurance administrative functions which, in the director's opinion, exhibits the applicant's ability to competently perform the administrative functions for all kinds and classes of insurance applied for.</p>	<p>AS 21.27.090 QUALIFICATIONS FOR LICENSING. (a) To qualify for an agent, general agent, broker, solicitor, or adjuster license, an applicant shall comply with this title and</p> <p>(8) if the application is for a general agent license, have a minimum of three years active working experience in insurance administrative functions, including those listed under the definition of "general agent" in AS 21.90.900, that, in the director's discretion, exhibits the applicant's ability to competently perform the administrative functions for all lines applied for;</p> <p>AS 21.27.095 LICENSING OF GENERAL AGENTS. (a) A general agent has the authority, consistent with this title, that is conferred by the insurer. A general agent, resident or nonresident, qualified and licensed under AS 21.27.090, may exercise the powers conferred by this title upon agents licensed for the kinds of insurance that the general agent is authorized to transact for the insurer appointing the agent.</p>	Relocated and revised to reflect NAIC Model. Establishes qualifications for license.
<p>(b) The director may require that a managing general agent maintain</p>		For public protection, director has discretion to require bond and errors & omissions liability insurance by a managing general agent.

Proposed Legislation	Existing Statute	Comments
(iv) each party shall comply with unfair claims settlement statutes and regulations;		See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Insurer must establish claims guides.
(v) transmission of electronic data at least monthly if electronic claim files are in existence; and		See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Insurer must establish claims guides.
(vi) claim files shall be the property of both the insurer and managing general agent; upon an order of liquidation of the insurer, the files shall become the sole property of the insurer or the insurer's estate; the managing general agent shall have reasonable access to and the right to copy the files on a timely basis;		See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Insurer must establish claims guides.
(K) if the contract provides for sharing of interim profits by the managing general agent, and the managing general agent has the authority to determine the amount of the interim profits by establishing loss reserves, by controlling claim payments, or in any other manner, interim profits may not be paid to the managing general agent until		See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Profit-sharing accounting guidelines established.
(i) one year after they are earned for property insurance business and five years after they are earned on casualty business;		See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Profit-sharing accounting guidelines established.
(ii) a later period established by the director for specified kinds or classes of insurance; and		See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Profit-sharing accounting guidelines established.

<p>(iii) not until the profits have been verified under (d) of this section;</p>		<p>See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Profit-sharing accounting guidelines established.</p>
<p>(L) if the insurer is domiciled in this state or the managing general agent 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 managing general agent transacts business on behalf of the insurer; and</p>		<p>See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Director approval of domestic insurer or managing general agent contracts required.</p>
<p>(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 managing general agent; the notice must include a statement of duties to be performed by the managing general agent on behalf of the insurer, the kinds and classes of insurance for which the managing general agent has authorization to act, and other information required by the director.</p>		<p>See comments on AS 21.27.620(a). Written contract required and minimum provisions established. Notice required to director if contract cancelled.</p>
<p>(b) The managing general agent may not</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Prohibited activities listed.</p>

Proposed Legislation	Existing Statute	Comments
<p>(1) bind reinsurance or retrocessions on behalf of the insurer, except that the managing general agent may bind facultative reinsurance contracts under obligatory agreements if the contract with the insurer contains reinsurance underwriting guidelines including, for both reinsurance assumed and ceded, a list of reinsurers with which automatic agreements are in effect, the coverage and amounts or percentages that may be reinsured, and commission schedules;</p>		<p>See comments on AS 21.27.620(c). Protects assets of insurer.</p>
<p>(2) commit the insurer to participate in insurance or reinsurance syndicates;</p>		<p>See comments on AS 21.27.620(c). Protects assets of insurer.</p>
<p>(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;</p>		<p>See comments on AS 21.27.620(c). Managing general agent must assure that subagents are adequately licensed.</p>
<p>(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;</p>		<p>See comments on AS 21.27.620(c). Protects assets of insurer.</p>
<p>(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;</p>		<p>See comments on AS 21.27.620(c). Gives insurer oversight on reinsurance transactions.</p>

<p>(6) permit a subagent to serve on the insurer's board of directors;</p>		<p>See comments on AS 21.27.620(c). Arms length relationships required.</p>
<p>(7) jointly employ an individual who is employed with the insurer; or</p>		<p>See comments on AS 21.27.620(c). Arms length relationships required.</p>
<p>(8) delegate managing general agent authority to another person.</p>		<p>See comments on AS 21.27.620(c).</p>
<p>(c) In a form acceptable to the director, a managing general agent shall annually obtain a copy of certified financial statements of each managing general agent with which the insurer has done business. The financial statements shall be prepared by an independent certified public accountant if the managing general agent, with or without authority, either separately or with affiliates, directly or indirectly produces or underwrites an amount of gross written premium equal to or more than five percent of the policy holder's surplus in a quarter or year, as reported in the insurer's last annual statement.</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Annual reports of managing general agent required.</p>
<p>(d) In addition to any other required loss reserve certification, if a managing general agent 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 managing general agent. The insurer retains an independent responsibility to determine the adequacy of its loss reserves, including those established by its managing general agents.</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Assures adequate reserves. Independent valuation of reserves.</p>

<p>(e) An insurer shall at least semiannually conduct an on-site review of the underwriting and claims processing operations of the managing general agent if the managing general agent, with or without authority, either separately or with affiliates, directly or indirectly produces or underwrites an amount of gross written premium equal to or more than five percent of the policy holder's surplus in a quarter or year, as reported in the insurer's last annual statement..</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Assures insurer oversight of managing general agent.</p>
<p>(f) An insurer shall review its books and records quarterly to determine if a person or insurance producer has acted as its managing general agent. If an insurer determines that a person or insurance producer has acted as its managing general agent, the insurer shall promptly notify the person or insurance producer and the director of the determination and the insurer and person or insurance producer must fully comply with the provisions of this chapter within 30 days.</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Requires periodic review by insurer of its managing general agents.</p>
<p>(g) An insurer may not appoint to its board of directors an officer, director, employee, subagent, insurance producer, or controlling shareholder of its managing general agent.</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Arms length relationship required insurer and managing general agent.</p>
<p>(h) The actual or apparently authorized acts of the managing general agent are considered the acts of the insurer upon whose behalf it is acting.</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent.</p>
<p>(i) A managing general agent may be examined by the director as if it were the insurer.</p>		<p>From NAIC Model. Establishes minimum standards for operations of a managing general agent. Examination provision.</p>

<p>(j) If the director determines after a hearing under AS 21.06.170 - 21.06.240 that a managing general agent caused loss arising out of a violation of AS 21.27.590 - 21.27.630 to an insurer, the director may order the managing general agent to make restitution to the insurer, the rehabilitator, or the liquidator of the insurer for the loss. Restitution ordered under this subsection is in addition to any other liability of the managing general agent and does not affect the rights of a policy holder, claimant, creditor, or third party.</p>		<p>Allows director to protect assets of insurer by ordering restitution by a managing general agent if its illegal activities led to loss by insurer.</p>
<p>(l) 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.</p>		<p>References penalty section of AS 21.27 and the certificate of authority of the insurer.</p>

ARTICLE 4. REINSURANCE INTERMEDIARY BROKERS.		
<p>Sec. 21.27.670. REINSURANCE INTERMEDIARY BROKER QUALIFICATIONS.</p> <p>(a) In addition to the general qualifications under AS 21.27.020, to qualify for issuance or renewal of a reinsurance intermediary broker license, an applicant or licensee shall have at least three years active working experience within the previous 10 calendar years in insurance administrative functions, that, in the director's opinion, exhibit the applicant's ability to competently perform the functions for all kinds and classes of insurance applied for.</p>		<p>New NAIC Model. Establishes qualifications for the reinsurance intermediary broker license</p>
<p>(b) The director may require that a reinsurance intermediary broker maintain</p>		<p>For public protection, director has discretion to require bond and errors & omissions liability insurance by a reinsurance intermediary broker.</p>
<p>(1) an in-force, unimpaired bond with admitted insurers authorized to transact surety insurance in an amount acceptable to the director in favor of insurers and this state, and with a condition in that the reinsurance intermediary broker conduct business as required under this title; and</p>		<p>See comments on AS 21.27.670(b).</p>
<p>(2) an errors and omissions insurance policy acceptable to the director.</p>		<p>See comments on AS 21.27.670(b).</p>
<p>Sec. 21.27.680. TRAINEE REINSURANCE INTERMEDIARY BROKERS. (a) An individual licensed in this state as an insurance producer, who does not have the experience required of a reinsurance intermediary broker but who otherwise meets the requirements of AS 21.27.670, may be employed by a licensed reinsurance intermediary broker as a trainee reinsurance intermediary broker, subject to the provisions of this section.</p>		<p>Establishes trainee license for person who has not passed required examinations.</p>

<p>(b) Before an individual may transact insurance as a trainee reinsurance intermediary broker, the reinsurance intermediary broker employing the trainee reinsurance intermediary broker shall submit to the director the application of the trainee reinsurance intermediary broker, with the fee set under AS 21.06.250, and receive the trainee reinsurance intermediary broker license.</p>		See comments on AS 21.27.680(a).
<p>(c) Upon satisfying the experience requirement, a trainee reinsurance intermediary broker shall apply within 30 days for a reinsurance intermediary broker license.</p>		See comments on AS 21.27.680(a).
<p>(d) A trainee reinsurance intermediary broker shall at all times be working at the direction and under the supervision of the employing licensed reinsurance intermediary broker, and the file and record documentation must reflect the direction and supervision. Insurance activities must be in the name of the employing reinsurance intermediary broker who is responsible for all actions of the trainee reinsurance intermediary broker.</p>		See comments on AS 21.27.680(a).
<p>(e) A trainee reinsurance intermediary broker is restricted to assisting the employing licensed reinsurance intermediary broker in preparing applications; binders; certificates of insurance; schedules of equipment, vehicles, and drivers; loss notices to insurers; and invoices; and to performing clerical functions for which a license is not required. The file and record documentation must reflect compliance with this subsection.</p>		See comments on AS 21.27.680(a).

Proposed Legislation	Existing Statute	Comments
<p>(f) A trainee reinsurance intermediary broker may not transact business 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.</p>		<p>See comments on AS 21.27.680(a).</p>
<p>(g) In addition to any other penalty provided by law,</p>		<p>See comments on AS 21.27.680(a).</p>
<p>(1) the director shall revoke the license of a trainee reinsurance intermediary broker who the director determines has violated the provisions of this section; a licensee or other person having possession or custody of the license shall immediately surrender the license to the director either personally or by certified mail;</p>		<p>See comments on AS 21.27.680(a).</p>
<p>(2) if the director determines under AS 21.06.170 - 21.06.240 that the employing reinsurance intermediary broker knew of or should have known that a trainee reinsurance intermediary broker violated this section, the employing reinsurance intermediary broker and firm, principal and manager, if any, are subject to the penalties provided under AS 21.27.440.</p>		<p>See comments on AS 21.27.680(a).</p>