

**ALASKA**  
**7090**

**LEGISLATURE**  
**HOUSE LABOR**

**COMMITTEE FILES**  
**& COMMERCE**

**1991-1992**

**8672**

<p>(2) if the information provided by the surplus lines broker is insufficient to substantiate the method of allocation used by the surplus lines broker or if the director determines that the surplus lines broker's method is incorrect, the director shall determine the equitable and appropriate amount of tax due to this state as follows:</p>		<p>See comments on AS 21.34.180(f).</p>
<p>(A) by use of the allocation schedule where the subject is appropriately identified in the schedule;</p>		<p>See comments on AS 21.34.180(f).</p>
<p>(B) where the allocation schedule does not identify a classification appropriate to the coverage, the director may give significant weight to documented evidence of the underwriting bases and other criteria used by the insurer or may give consideration to other available information to the extent sufficient and relevant, including the percentage of the insured's physical assets in this state, the percentage of the insured's sales in this state, the percentage of income or resources derived from this state, and the amount of premium tax paid to another jurisdiction for the policy.</p>		<p>See comments on AS 21.34.180(f).</p>
<p>(g) This section does not apply to insurance of risks of the state, or a political subdivision of the state, or to insurance of aircraft regularly engaged in interstate or foreign commerce.</p>	<p>(d) This section does not apply to insurance of risks of state government or its political subdivision, to an agency of state government or its political subdivision, or to insurance of aircraft regularly engaged in interstate or foreign commerce.</p>	<p>Editorial change.</p>

<p>• Sec. 133. AS 21.34.190 is amended to read:</p>	<p>AS 21.34.190</p>	
<p>Sec. 21.34.190. <b>FILING FEE.</b> The fee for filing the statement under AS 21.34.180(b) is an amount equal to one percent on gross premium charged less any return premiums during the preceding calendar <u>quarter</u> [YEAR]. The surplus lines broker shall pay the fee at the time of filing of the statement.</p>	<p>AS. 21.34.190. <b>FILING FEE.</b> The fee for filing the statement under AS 21.34.180(b) is an amount equal to one percent on gross premium charged less any return premiums during the preceding calendar year. The surplus lines broker shall pay the fee at the time of filing of the statement.</p>	<p>Provides for quarterly revised fee payments.</p>
<p>• Sec. 134. AS 21.34.190 is amended by adding a new subsection to read:</p>		
<p>(b) If the filing fee is not paid when due, an additional late payment fee of \$250 plus two percent of the fee due per month, or part of a month, shall become due and payable by the surplus lines broker.</p>		<p>Provides fee and interest for late payment of filing fee.</p>
<p>• Sec. 135. AS 21.34.200(a) is amended to read:</p>	<p>AS 21.34.200(a)</p>	
<p>(a) If the tax collectible under AS 21.34.180 or the fee collectible under AS 21.34.190 by a surplus lines broker is not paid within the time prescribed, the tax, fee, or both, <u>and late payment fees</u>, along with appropriate penalties may be collected by distraint or by an action in court, against the surplus lines licensee and the surety on the bond filed under <u>AS 21.27.790</u> [AS 21.34.140(b)(4)].</p>	<p>(a) If the tax collectible under AS 21.34.180 or the fee collectible under AS 21.34.190 by a surplus lines broker is not paid within the time prescribed, the tax, fee, or both, along with appropriate penalties may be collected by distraint or by an action in court, against the surplus lines licensee and the surety on the bond filed under AS 21.34.140(b)(4).</p>	<p>Reflects proposed late payment fee and new reference for surplus lines broker bond.</p>

Proposed Legislation	Existing Statute	Comments
To be repealed. See Sec. 221	AS 21.34.200(b) The director may order that taxes collectible under AS 21.34.180 and filings fees collectible under AS 21.34.190 be collected by the surplus lines association. The tax shall be remitted to the state by the surplus lines association by April 1 following the calendar year in which the premium was written. When the surplus lines association provides services listed in the order by the director for collection of taxes, it shall retain the filing fee described in AS 21.34.190, as payment of association expenses.	Obsolete.
To be repealed. See Sec. 221	AS 21.34.210. SUSPENSION, REVOCATION OR NON-RENEWAL OF SURPLUS LINES BROKER LICENSE. The director may suspend, revoke, or refuse to renew the license of a surplus lines broker after notice and hearing as provided in AS 21.06.180 - 21.06.230 upon one or more of the following grounds;	Combined with other license procedures moved to AS 21.27.
To be repealed. See Sec. 221	(1) removal of the resident surplus lines broker's office from this state;	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(2) removal of the resident surplus lines broker's accounts and records from the location described in the license application without approval of the director that are required to be maintained under AS 21.34.160;	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(3) removal of the nonresident surplus lines brokers accounts and records from the location described in the license application without approval of the director that are required to be maintained under AS 21.34.160;	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(4) closing of the surplus lines broker's office for a period of more than 30 business days, unless permission is granted by the director;	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(5) failure to make the required reports;	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(6) failure to transmit required tax or fee on surplus lines premiums;	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(7) failure to maintain required bond;	See comments on repeal of AS 21.34.210 above..

To be repealed. See Sec. 221	(8) violation of a provision of this chapter; or	See comments on repeal of AS 21.34.210 above..
To be repealed. See Sec. 221	(9) for another cause for which an insurance license could be denied, revoked, suspended, or renewal refused under AS 21.27.	See comments on repeal of AS 21.34.210 above..
* Sec. 136. AS 21.34.230 is repealed and reenacted to read:	AS 21.34.230	
<p>Sec. 21.34.230. 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; and</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.</p> <p>(b) A violation of this chapter is cause for denial, nonrenewal, suspension, or revocation of a license.</p>	<p>AS 21.34.230. PENALTIES. (a) In addition to any other penalty provided by law, a person that the director determines has violated the provisions of this chapter is subject to a civil penalty of not more than \$1,000 for the first offense and not more than \$2,000 for each succeeding offense.</p> <p>(b) The penalties set out in this chapter are not exclusive remedies. Penalties may also be assessed under AS 21.36.320 - 21.36.330.</p>	<p>Clarifies procedure for imposing penalties. New penalty prevents profit from illegal transactions. increases maximum penalty. Treats wilful violations more severely.</p>
* Sec. 137. AS 21.34.900 is repealed and reenacted to read:	AS 21.34.900	
Sec. 21.34.900. DEFINITIONS. In this chapter,	AS 21.34.900. DEFINITIONS. In this chapter	
	(1) "admitted insurer" means an insurer that has been issued a certificate of authority by the director to transact insurance in this state;	
(1) "capital" means money paid in for stock or other evidence of ownership;	(2) "capital" means funds paid in for stock or other evidence of ownership;	No change.

<p>(2) "eligible surplus lines insurer" means a nonadmitted insurer with which a surplus lines broker may place surplus lines insurance under AS 21.34.040;</p>	<p>(3) "eligible surplus lines insurer" means a nonadmitted insurer with which a surplus lines broker may place surplus lines insurance under AS 21.34.040;</p>	<p>No change.</p>
<p>(3) "export" means to place surplus lines insurance with a nonadmitted insurer;</p>	<p>(4) "export" means to place surplus lines insurance with a nonadmitted insurer;</p>	<p>No change.</p>
<p>(4) "kind of insurance" means one of the kinds of insurance defined in AS 21.12.040 - 21.12.110;</p>	<p>(5) "kind of insurance" means one of the kinds of insurance defined in AS 21.12.040 - 21.12.110;</p>	<p>No change.</p>
	<p>(6) "nonadmitted insurer" means an insurer that does not have a certificate of authority issued by the director to transact insurance in this state and includes insurance exchanges authorized under the laws of various states;</p>	<p>Reflects new types of licensee.</p>
<p>(5) "producing broker" means the insurance producer or surplus lines broker licensed under AS 21.27 dealing directly with the client seeking insurance;</p>	<p>(7) "producing broker" means the individual broker or surplus lines broker dealing directly with the party seeking insurance;</p>	
<p>(6) "reciprocal state" means a state that the director has determined has enacted provisions substantially similar to those contained in AS 21.34.160 - 21.34.180 and 21.34.210.</p>		<p>New</p>
<p>(7) "surplus," as used in the financial requirements of AS 21.34.040, means money over and above liabilities and capital of the company for the protection of policyholders;</p>	<p>(8) "surplus," as used in the financial requirements of AS 21.34.040, means funds over and above liabilities and capital of the company for the protection of policy holders;</p>	<p>No change.</p>
	<p>(9) "surplus lines broker" means a person licensed under this chapter to place insurance of risks resident, located or to be performed in this state with eligible surplus lines insurers;</p>	

	(10) "surplus lines insurance" means any insurance in this state on risks resident, located or to be performed in this state, permitted to be placed through a surplus lines broker with a nonadmitted insurer eligible to accept insurance, other than reinsurance, wet marine and transportation insurance, insurance independently procured, life insurance, disability insurance and annuity contracts;	
(8) "transaction of insurance" means the solicitation, negotiation, procurement, effectuation, or renewal of insurance; forwarding of applications; delivery of policies or contracts; inspection of risks; fixing of rates; investigation or adjustment of claims or losses; collection or forwarding of premiums; or transaction of matters subsequent to effectuation of the contract of insurance and arising out of it;	(11) "transaction of insurance" means the solicitation, negotiation, procurement, effectuation, or renewal of insurance; forwarding of applications; delivery of policies or contracts; inspection of risks; fixing of rates; investigation or adjustment of claims or losses; collection or forwarding of premiums; or, transaction of matters subsequent to effectuation of the contract of insurance and arising out of it;	No change.
(9) "wet marine and transportation insurance" means	(12) "wet marine and transportation insurance" means	No change.
(A) insurance upon, of interest in, or relating to vessels, crafts, hulls, except vessels of 50 displacement tons or less;	(A) insurance upon, of interest in, or relating to vessels, crafts, hulls, except vessels of 50 displacement tons or less;	No change.
(B) insurance of marine builders risks, marine war risks, and contracts of marine protection and indemnity insurance;	(B) insurance of marine builders risks, marine war risks and contracts of marine protection and indemnity insurance;	No change.
(C) insurance of freight and disbursements pertaining to a subject of insurance coming within this paragraph; and	(C) insurance of freight and disbursements pertaining to a subject of insurance coming within this paragraph; and	No change.

Proposed Legislation	Existing Statute	Comments
<p>(D) insurance of personal property and interests in personal property, in course of exportation from or importation into a country or in the course of coastal or inland water transportation, including transportation by land, water, or air from point of origin to final destination in connection with any and all risks or perils of navigation, transit or transportation, and while being repaired for and while awaiting shipment, and during any delays, transshipment, or reshipment incident to them.</p>	<p>(D) insurance of personal property and interests in personal property, in course of exportation from or importation into a country, or in the course of coastal or inland water transportation, including transportation by land, water or air from point of origin to final destination, in connection with any and all risks or perils of navigation, transit, or transportation, and while being repaired for and while awaiting shipment, and during any delays, transshipment, or reshipment incident to them.</p>	<p>No change.</p>
<p>* Sec. 138. AS 21.36.020 is amended to read:</p>	<p>* Sec. 130. AS 21.36.020 is amended to read:</p>	
<p>Sec. 21.36.020. UNFAIR METHODS, DECEPTIVE ACTS PROHIBITED. A person may not engage [IN THIS STATE] in a trade practice <u>in this state or relative to a subject resident, located, or to be performed in this state</u> that is defined in this chapter [AS,] or determined under this chapter to be [,] an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.</p>	<p>Sec. 21.36.020. UNFAIR METHODS, DECEPTIVE ACTS PROHIBITED. A person may not engage in this state in a trade practice that is defined in this chapter as, or determined under this chapter to be, an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.</p>	<p>Language "resident, located or to be performed in this state" added for consistency with the scope of the Title.</p>
<p>* Sec. 139. AS 21.36 is amended by adding a new section to read:</p>		
<p>Sec. 21.36.145. UNFAIR FINANCIAL PLANNING PRACTICES. (a) A person may not represent, directly or indirectly, to be a financial planner, investment adviser, consultant, financial counselor, or similar specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax matters, or trust and estate matters when the person is in fact only engaging in the sale of insurance.</p>		<p>NAIC Model provision prohibits misrepresenting sales of insurance as financial planning.</p>

<p>(b) A person may not engage in the business of financial planning and solicit the sale of a product or service on the basis that the person is an insurance salesperson or that a commission for the sale of an insurance product will be received in addition to a fee for financial planning without full disclosure to the client before the execution of the agreement required in (c) of this section.</p>		Requires full disclosure of services and compensation.
<p>(c) A person licensed under this title may not charge a fee other than a commission for financial planning unless the fee is based upon a written agreement signed before the performance of a service under the agreement. The insurance salesperson shall provide the client a copy of the signed agreement at the time of signing. The agreement must specifically state the service for which a fee is to be charged and how the fee will be determined or calculated. The agreement must provide that the client is under no obligation to purchase an insurance product. The licensee shall retain a copy of the agreement for not less than five years after completion of services and the agreement shall be available to the director upon request.</p>		Requires written agreement to charge a fee for financial planning in addition to earned commissions.

<p>* Sec. 140. AS 21.36.150(a) is amended to read:</p>	AS 21.36.150(a)	
<p>Sec. 21.36.150. PROCEDURES AS TO UNDEFINED PRACTICES. (a) If the director believes that a person engaged in the insurance business is engaging in this state in an unfair method of competition or in an unfair or deceptive act or practice in the conduct of the business that is not defined as being unfair or deceptive under this <u>title</u> [CHAPTER], the director shall hold a hearing on the matter, if the director believes it would be in the public interest to do so after giving notice of the hearing and of the charges. Upon conclusion of the hearing the director shall make a written report of the findings of fact relative to the charges and serve a copy upon the person and any intervenor at the hearing.</p>	<p>AS. 21.36.150. PROCEDURES AS TO UNDEFINED PRACTICES. (a) If the director believes that a person engaged in the insurance business is engaging in this state in an unfair method of competition or in an unfair or deceptive act or practice in the conduct of the business that is not defined as being unfair or deceptive under this chapter, the director shall hold a hearing on the matter, if the director believes it would be in the public interest to do so after giving notice of the hearing and of the charges. Upon conclusion of the hearing the director shall make a written report of the findings of fact relative to the charges and serve a copy upon the person and any intervenor at the hearing.</p>	Editorial changes.
<p>* Sec. 141. AS 21.36.150(b) is amended to read:</p>	AS 21.36.150(b)	
<p>(b) If the report charges a violation of this <u>title</u> [CHAPTER] and if the method of competition, act, or practice has not been discontinued, the director may, through the attorney general of this state, at any time after the service of the report, cause an action to be instituted to enjoin and restrain the person from engaging in the method, act, or practice. In the action the court may grant a restraining order or injunction upon just terms, but the state <u>may</u> [SHALL] not be required to give security before the issuance of the order or injunction. If a <u>stenographic</u> [STENOGRAPHIC] record of the proceedings in the hearing before the director was made, a certified transcript, including all evidence taken and the report and findings, shall be received in evidence in the action.</p>	<p>(b) If the report charges a violation of this chapter and if the method of competition, act, or practice has not been discontinued, the director may, through the attorney general of this state, at any time after the service of the report, cause an action to be instituted to enjoin and restrain the person from engaging in the method, act, or practice. In the action the court may grant a restraining order or injunction upon just terms, but the state shall not be required to give security before the issuance of the order or injunction. If a stenograph record of the proceedings in the hearing before the director was made, a certified transcript, including all evidence taken and the report and findings, shall be received in evidence in the action.</p>	Editorial changes.

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 142. AS 21.36.150 is amended by adding a new subsection to read:</p>		
<p>(d) In addition to the unfair methods and unfair or deceptive acts or practices expressly defined in this title, the director may define other methods of competition and other acts and practices in the conduct of the business of insurance found by the director to be unfair or deceptive.</p>		<p>New. Allows director the flexibility to define other unfair methods and unfair or deceptive acts or practices applicable to all persons.</p>
<p>* Sec. 143. AS 21.36.255(a) is amended to read:</p>	<p>AS 21.36.255(a)</p>	
<p>(a) If an insurance policy is cancelled, rejected, or rescinded by the</p>	<p>(a) If an insurance policy is cancelled, rejected, or rescinded by the</p>	<p>No change.</p>
<p>(1) insurer, the insurer shall refund the unearned premium paid to the insured or premium finance company; or</p>	<p>(1) insurer, the insurer shall refund the unearned premium paid to the insured or premium finance company; or</p>	<p>No change.</p>
<p>(2) insured, the insurer shall return any unearned premium paid to the insured or premium finance company, less a cancellation fee not to exceed 7.5 percent of the unearned premium; a cancellation fee may not be charged unless the fee is clearly stated in the policy; <del>the insurer shall return or credit the unearned premium less a lawful cancellation fee</del></p>	<p>(2) insured, the insurer shall return any unearned premium paid to the insured or premium finance company, less a cancellation fee not to exceed 7.5 percent of the unearned premium; a cancellation fee may not be charged unless the fee is clearly stated in the policy;</p>	<p>Adds timeliness requirement for completion of audits and return premium.</p>
<p><del>(A) within 30 days on a policy not subject to audit; or</del></p>		<p>Adds timeliness requirement for completion of audits and return premium.</p>

Proposed Legislation	Existing Statute	Comments
<p><u>(B) within 30 days of completion of an audit; the insurer shall perform and complete an audit within 30 days unless the audit cannot reasonably be completed using due diligence and the insured is advised in writing of the reason why additional time is necessary to complete the audit and when the audit will be completed.</u></p>		<p>Adds timeliness requirement for completion of audits and return premium.</p>
<p>* Sec. 144. AS 21.36.310(1) is amended to read:</p>	<p>AS 21.36.310(1)</p>	
<p>(1) "business or commercial insurance" means insurance other than personal insurance, reinsurance, life insurance, disability insurance, fidelity and surety insurance, title insurance, [WET MARINE AND TRANSPORTATION INSURANCE AS DEFINED IN AS 21.34.900.] or an annuity contract;</p>	<p>(1) "business or commercial insurance" means insurance other than personal insurance, reinsurance, life insurance, disability insurance, fidelity and surety insurance, title insurance, wet marine and transportation insurance as defined in AS 21.34.900, or an annuity contract;</p>	<p>Applies cancellation, renewal, and non-renewal law to wet marine and transportation insurance.</p>
<p>* Sec. 145. AS 21.36.320(a) is amended to read:</p>	<p>AS 21.36.320(a)</p>	
<p>(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 [IN THIS STATE] is engaged in an unfair method of competition or unfair or deceptive act or practice prohibited by this chapter.</p>	<p>(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 in this state is engaged in an unfair method of competition or unfair or deceptive act or practice prohibited by this chapter</p>	<p>Clarifies reach of the divisions ability to investigate unfair methods of competition or unfair or deceptive acts or practices.</p>

<p>* Sec. 146. AS 21.36.320(c) is amended to read:</p>	<p>AS 21.36.320(c)</p>	
<p>(c) <del>If the director determines that a person violated</del> [ON A FINDING OF A VIOLATION OF] this chapter, the director shall serve upon the person charged an order requiring that person to <del>cease and desist from engaging in the act or practice</del> [STOP THE ACTS OR PRACTICES].</p>	<p>(c) On a finding of a violation of this chapter, the director shall serve upon the person charged an order requiring that person to [stop the acts or practices.</p>	<p>Renames "stop order" to "cease and desist order."</p>
<p>* Sec. 147. AS 21.36.320(d) is amended to read:</p>	<p>AS 21.36.320(d)</p>	
<p>(d) In addition to an order issued under (c) of this section, the director may, <del>after a hearing, order restitution, suspend or revoke the person's license, and</del> [ALSO] order a penalty of not more than <del>\$10,000</del> [\$1,000] for each act or <del>\$100,000</del> [\$10,000] for engaging in a general business practice in violation of this chapter.[</p>	<p>(d) In addition to an order issued under (c) of this section, the director may also order a penalty of not more than \$1,000 for each act or \$10,000 for engaging in a general business practice in violation of this chapter.</p>	<p>Increases maximum penalties to provide deterrence to illegal acts.</p>
<p>* Sec. 148. AS 21.36.320(e) is amended to read:</p>	<p>AS 21.36.320(e)</p>	
<p>(e) If the <del>director determines after a hearing that the person charged knew or should have known that the person was in violation of this chapter,</del> a penalty in addition to that prescribed in (d) of this section of not more than <del>\$25,000</del> [\$1,000] for each act or <del>\$250,000</del> [\$25,000] for engaging in the general business practice in violation of this chapter [, OR SUSPENSION OR REVOCATION OF THE PERSON'S LICENSE, OR BOTH,] may also be ordered by the director.</p>	<p>(e) If the person charged knew or should have known that the person was in violation of this chapter, a penalty in addition to that prescribed in (d) of this section of not more than \$1,000 for each act or \$25,000 for engaging in the general business practice in violation of this chapter, or suspension or revocation of the persons license, or both, may also be ordered by the director.</p>	<p>Increases maximum penalties to provide deterrence to illegal acts.</p>

* Sec. 149. AS 21.36.320(f) is amended to read:	AS 21.36.320(f)	
<p>(f) If the director believes that a person has violated a <del>cease and desist</del> [STOP] order issued under (c) of this section, the director may certify the relevant facts to the superior court in the appropriate district, 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 <del>cease and desist</del> [STOP] order has been violated, may order the violator to <del>comply with the order</del>, pay an <del>additional</del> [A] penalty of not more than <del>\$1,000,000</del> [\$10,000] for each violation, [AND] may revoke or suspend the violator's license, <del>and may bar the violator from transacting the business of insurance in the future</del> [OR BOTH].</p>	<p>(f) If the director believes that a person has violated a stop order issued under (c) of this section, the director may certify the relevant facts to the superior court in the appropriate district, 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 stop order has been violated, may order the violator to pay a penalty of not more than \$10,000 for each violation, and may revoke or suspend the violator's license, or both.</p>	<p>Increases maximum penalties to provide deterrence to illegal acts.</p>
* Sec. 150. AS 21.36.350 is amended to read:	AS 21.36.350	
<p>Sec. 21.36.350. ENFORCEMENT. The director <del>may</del> [OF INSURANCE SHALL] adopt regulations to implement, define, and enforce <del>this chapter</del> [AS 21.36.125].</p>	<p>Sec. 21.36.350. ENFORCEMENT. The director [of insurance shall adopt regulations to implement, define, and enforce AS 21.36.125.</p>	<p>Revises to broaden regulation making authority from claim practices to all acts and practices.</p>
* Sec. 151. AS 21.36.370 is amended to read:	AS 21.36.370	
<p>Sec. 21.36.370. EXCEPTIONS. For the purpose of AS 21.36.360, [THE FOLLOWING ACTIONS ARE NOT CONSIDERED A PREMIUM OR CHARGE FOR INSURANCE:</p>	<p>Sec. 21.36.370. EXCEPTIONS. For the purpose of AS 21.36.360, the following actions are not considered a premium or charge for insurance:</p>	<p>Editorial change.</p>
<p>(1) the charging and collection by surplus line brokers licensed under <del>AS 21.27</del> [AS 21.33] of the amount of applicable state and federal taxes and filing fees under <del>AS 21.34 is not considered a premium or charge for insurance</del> [AS 21.34.180 - 21.34.190;</p>	<p>(1) the charging and collection by surplus line brokers licensed under AS 21.33 of the amount of applicable state and federal taxes and filing fees under AS 21.34.180 - 21.34.190;</p>	<p>Reflects proposed move of surplus lines broker licensing to AS 21.27.</p>

<p>(2) THE CHARGING AND COLLECTION BY A LIFE INSURER OF AMOUNTS ACTUALLY TO BE EXPENDED FOR MEDICAL EXAMINATION OF AN APPLICANT FOR LIFE INSURANCE OR FOR REINSTATEMENT OF A LIFE INSURANCE POLICY].</p>	<p>(2) the charging and collection by a life insurer of amounts actually to be expended for medical examination of an applicant for life insurance or for reinstatement of a life insurance policy.</p>	<p>Obsolete.</p>
<p>* Sec. 152. AS 21.42 is amended by adding a new section to read:</p>		
<p>AS 21.42.025. INSTITUTIONAL BENEFICIARY INSTEAD OF INSURABLE INTEREST. (a) Except as provided under (e) of this section, a life insurance contract may be entered into in which a charitable organization is designated as the beneficiary or in which the person or organization paying the premium for the insurance has no insurable interest in the life of the individual insured.</p>		<p>Allows charitable organizations to be designated as a beneficiary or pay premiums for individual life insurance policies where no insurable interest in the life exists.</p>
<p>(b) To enter into a contract of life insurance described in (a) of this section  (1) the person or organization paying the premium shall make and sign the application for life insurance as owner and irrevocably designate a charitable organization as the beneficiary of the life insurance contract; and  (2) the application shall be signed by the individual whose life is to be insured.</p>		<p>See comments on AS 21.42.025(a). Establishes procedure for designation. These policies must have the person or organization paying the premium being the applicant for the policy and irrevocably designate a charitable organization a beneficiary. The person whose life is insured must sign the application.</p>
<p>(c) This section does not prohibit any combination of the insured, applicant, premium payer, owner, and beneficiary from being the same person or the insured from modifying the contract.</p>		<p>See comments on AS 21.42.025(a). All parties to the contract may be the same person and the insured may modify the contract.</p>
<p>(d) A contract of life insurance described in (a) of this section that is not for the benefit of a charitable organization described in (e) of this section is valid and binding among the parties in the absence of an insurable interest as described in AS 21.42.020.</p>		<p>See comments on AS 21.42.025(a). The Life insurance contract for the benefit of eligible charitable organizations is binding.</p>

Proposed Legislation	Existing Statute	Comments
(c) A contract of life insurance may not be entered into by a charitable organization		See comments on AS 21.42.025(a). Sets out those charitable organizations that are not eligible under this chapter.
(1) that		See comments on AS 21.42.025(e) above.
(A) loans to a controlling person a part of its income or corpus without the receipt of adequate security and a reasonable rate of interest;		See comments on AS 21.42.025(e) above.
(B) pays to a controlling person compensation in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered;		See comments on AS 21.42.025(e) above.
(C) makes a part of its services available on a preferential basis to a controlling person;		See comments on AS 21.42.025(e) above.
(D) makes a substantial purchase of securities or other property for more than adequate consideration in money or money's worth from a controlling person;		See comments on AS 21.42.025(e) above.
(E) sells a substantial part of its securities or other property for less than an adequate consideration in money or money's worth to a controlling person; or		See comments on AS 21.42.025(e) above.
(F) engages in another transaction that results in a substantial diversion of its income or corpus to a controlling person;		See comments on AS 21.42.025(e) above.
(2) if a substantial part of its activities consists of providing commercial type of insurance;		See comments on AS 21.42.025(e) above.
(3) that is chartered by or is an instrumentality of the federal government;		See comments on AS 21.42.025(e) above.

Proposed Legislation	Existing Statute	Comments
(4) if the charter, bylaws, or other governing instrument or a written policy statement contains a provision that provides for discrimination against a person on the basis of race, color, or religion;		See comments on AS 21.42.025(e) above.
(f) Paragraph (e)(4) of this section does not apply to		Exceptions to the section
(1) an auxiliary or feeder organization of a fraternal beneficiary society if the society is described in 26 U.S.C. 501(c)(8), is exempt from tax under 26 U.S.C. 501(a), and that limits its membership to the members of a particular religion; or		Exceptions to the section
(2) a club or feeder organization exempt from tax under 26 U.S.C. 501(a) that in good faith limits its membership to the members of a particular religion in order to further the teachings or principles of that religion and not to exclude individuals of a particular race or color.		Exceptions to the section
(g) In this section,		Definitions for the section.
(1) "charitable organization" means a		See comments on AS 21.42.025(g) above.
(A) charitable organization described in 26 U.S.C. 170(b)(1)(A), 26 U.S.C. 170(c)(2) - (5), and 42 U.S.C. 701(c);		See comments on AS 21.42.025(g) above.
(B) feeder organization; or		See comments on AS 21.42.025(g) above.
(C) organization providing child care;		See comments on AS 21.42.025(g) above.
(2) "commercial type of insurance" means all other insurance except		See comments on AS 21.42.025(g) above.
(A) insurance provided at substantially below cost to a class of charitable recipients; or		See comments on AS 21.42.025(g) above.

(B) incidental health insurance provided by a health maintenance organization of a kind customarily provided by the organization;		See comments on AS 21.42.025(g) above.
(3) "controlling person" means the creator of a charitable organization, if a trust; a person who has made a substantial contribution to a charitable organization; a member of the family, or a successor of an individual who is the creator of the trust or who has made a substantial contribution to the charitable organization; or a corporation controlled by the creator or person through ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote or 50 percent or more of the total value of shares of all classes of stock of the corporation;		See comments on AS 21.42.025(g) above.
(4) "feeder organization" means an organization operated on a for profit basis, 95 percent or more of whose profits are donated to one or more charitable organizations;		See comments on AS 21.42.025(g) above.
(5) "member of the family" has the meaning given in 26 U.S.C. 267(c)(4);		See comments on AS 21.42.025(g) above.
(6) "organization providing child care" means a charitable organization providing for care of children away from their homes if		See comments on AS 21.42.025(g) above.
(A) substantially all of the care provided by the organization is for purposes of enabling individual's to be gainfully employed; and		See comments on AS 21.42.025(g) above.
(B) the services provided by the organization are available to the general public;		See comments on AS 21.42.025(g) above.

* Sec. 153. AS 21.66.010(a) is amended to read:	AS 21.66.010(a)	
<p>(a) Before a domestic or foreign title insurance company is entitled to a certificate of authority to transact a title insurance business in this state it shall have <u>basic capital, additional surplus when first authorized, and additional maintained surplus as required by AS 21.09.070 including a deposit as required in AS 21.09.090</u> [A PAID-UP UNIMPAIRED CASH CAPITAL EQUAL TO NOT LESS THAN \$250,000, \$100,000 OF WHICH SHALL BE DEPOSITED WITH THE DIRECTOR OF INSURANCE AS A GUARANTY FUND FOR THE PROTECTION OF THE INSURED UNDER POLICIES OF TITLE INSURANCE ISSUED BY THE COMPANY].</p>	<p>(a) Before a domestic or foreign title insurance company is entitled to a certificate of authority to transact a title insurance business in this state it shall have a paid-up unimpaired cash capital equal to not less than \$250,000, \$100,000 of which shall be deposited with the director of insurance as a guaranty fund for the protection of the insured under policies of title insurance issued by the company.</p>	<p>Consolidates financial requirements in AS 21.09.</p>

• Sec. 154. AS 21.66.010(b) is amended to read:	AS 21.66.010(b)	
<p>(b) A domestic or foreign title insurance company shall have on deposit with the director or insurance commissioner of the state of its domicile, before the issuance of any policy of title insurance in this state, the <del>amount required by AS 21.09.090 for the purpose described in that section</del> [SUM OF \$100,000 AS A GUARANTEE FUND FOR THE SECURITY AND PROTECTION OF ITS POLICYHOLDERS OR THEIR BENEFICIARIES WHEREVER SITUATED). The amount of this deposit shall be increased by the sum of \$50,000 for each state or territorial subdivision of the United States or the District of Columbia, other than the state of its domicile, in which it becomes qualified to engage in the business of title insurance, less the amount required by and deposited in the other states or territorial subdivisions, <u>provided</u> [; HOWEVER,] the deposits shall be for the security and protection of its policyholders or their beneficiaries, wherever situated. When the aggregate of amounts deposited in this or other states or territorial subdivisions or the District of Columbia, has reached the sum of \$750,000 no further deposit is required of the title insurance company as a condition of engaging in the business of title insurance in this state.</p>	<p>(b) A domestic or foreign title insurance company shall have on deposit with the director or insurance commissioner of the state of its domicile, before the issuance of any policy of title insurance in this state, the sum of \$100,000 as a guarantee fund for the security and protection of its policyholders or their beneficiaries wherever situated. The amount of this deposit shall be increased by the sum of \$50,000 for each state or territorial subdivision of the United States or the District of Columbia, other than the state of its domicile, in which it becomes qualified to engage in the business of title insurance, less the amount required by and deposited in the other states or territorial subdivisions; however, the deposits shall be for the security and protection of its policyholders or their beneficiaries, wherever situated. When the aggregate of amounts deposited in this or other states or territorial subdivisions or the District of Columbia, has reached the sum of \$750,000 no further deposit is required of the title insurance company as a condition of engaging in the business of title insurance in this state.</p>	<p>Consolidates financial requirements in AS 21.09</p>

<p>• Sec. 155. AS 21.66.020 is amended to read:</p>	<p>AS 21.66.020</p>	
<p>Sec. 21.66.020. DEPOSITS IN GUARANTY FUND. Within 30 days after the filing of each annual statement the title insurance company shall deposit with the director a sum equal to 10 percent of the premiums received by it during the preceding year covering property in this state, as shown by the annual statement, until the accumulated deposits, added to the sums originally deposited with the director, as provided in this chapter, total <del>\$750,000</del> [\$100,000] but [IN NO EVENT MAY] the title insurance company <del>may not</del> be required to deposit more than <del>\$50,000</del> [\$10,000] in any one year.</p>	<p>Sec. 21.66.020. DEPOSITS IN GUARANTY FUND. Within 30 days after the filing of each annual statement the title insurance company shall deposit with the director a sum equal to 10 percent of the premiums received by it during the preceding year covering property in this state, as shown by the annual statement, until the accumulated deposits, added to the sums originally deposited with the director, as provided in this chapter, total \$100,000 but in no event may the title insurance company be required to deposit more than \$10,000 in any one year.</p>	<p>Consistent with requirements existing in AS 21.09.</p>
<p>To be repealed. See Sec. 221</p>	<p>AS 21.66.030 SECURITIES AUTHORIZED AS DEPOSITS. The deposits required to be kept with the director as a guaranty fund may be made either in lawful money of the United States or in one or more of the following classes of securities:</p>	<p>Duplicates requirements in AS 21.24.</p>
<p>To be repealed. See Sec. 221</p>	<p>(1) interest bearing obligations of the United States or of those for the payment of the principal and interest on which the faith of the United States is pledged;</p>	<p>Duplicates requirements in AS 21.24.</p>
<p>To be repealed. See Sec. 221</p>	<p>(2) bonds of a state in the United States;</p>	<p>Duplicates requirements in AS 21.24.</p>
<p>To be repealed. See Sec. 221</p>	<p>(3) bonds of a municipality in the United States having a population of more than 50,000, or bonds of a municipality, municipal corporation or civil subdivision in this state having a population of more than 2,000, the market value of which bonds, at all times while so deposited, shall be not less than 90 per cent of par value;</p>	<p>Duplicates requirements in AS 21.24.</p>

To be repealed. See Sec. 221	(4) a deposit not in excess of \$10,000 in any one bank organized and existing under the laws of this state in a savings deposit account free of offsetting debts and claims insured in full by the Federal Deposit Insurance Corporation and entered in the name of the "director of insurance of the State of Alaska in trust for the holders of the obligations of the (depositing company) under AS 21.66.020";	Duplicates requirements in AS 21.24.
To be repealed. See Sec. 221	(5) a deposit not in excess of \$10,000 in any one issuing institution, in investment certificates or share accounts of savings and loan associations organized and existing under the laws of this state, or of the United States, and holding membership in the Federal Home Loan Bank System; the certificates and share accounts shall be free of offsetting debts and claims and shall be issued in the name of the director in the form indicated in (4) of this section;	Duplicates requirements in AS 21.24.
To be repealed. See Sec. 221	(6) with the written approval of the director bonds or notes secured by trust deed or first mortgage upon improved real property in this state not otherwise encumbered, and having a value of at least twice the amount loaned on it or otherwise insured by an agency of the United States, which shall be accompanied by a policy of title insurance of a company qualified to insure title in this state insuring that the mortgage or trust deed so deposited is a first lien on the real property covered by it.	Duplicates requirements in AS 21.24.

To be repealed. See Sec. 221	<p style="text-align: center;">AS 21.66.040 SPECIAL GUARANTY FUND.</p> <p>The securities to be deposited as provided in this chapter shall be held by the director as a special guaranty fund securing the faithful performance on the part of the company of all its undertakings and liabilities upon its guaranteed certificates of title, policies of title insurance, or other guarantees of title to property and to the extent of any outstanding liabilities on them; but shall not be subject to any other outstanding liabilities of the company while the securities are held by the director. They shall be held subject to the following conditions:</p>	Duplicates requirements in AS 21.18.
To be repealed. See Sec. 221	<p>(1) the director shall deliver to the company depositing the guaranty fund a receipt in full for all securities deposited; the company may from time to time withdraw securities or a part of them on depositing with the director cash or other authorized securities, to at all times maintain the value of the guaranty fund deposit at not less than the amount required by this chapter;</p>	Duplicates requirements in AS 21.18.
To be repealed. See Sec. 221	<p>(2) all interest or dividends accruing on the securities deposited with the director under the authority of this chapter shall belong to and at all times be available to the company making the deposit, and the director shall permit the company, as long as it shall continue solvent, to collect the interest or dividends on the securities deposited; the director shall be the agent of both parties to receive, receipt for and pay over the interest or dividends when the same are paid to the director by reason of the custody of the deposit, and the director is authorized to make the endorsements on the securities which the occasion and the due and orderly course of business may require; the rights of the company to demand of and receive from the director the interest or dividends, shall be subject, however, to the provisions of (3) of this section;</p>	Duplicates requirements in AS 21.18.

To be repealed. See Sec. 221

(3) if, under liability on guaranteed certificate of title, or policy of title insurance or other guaranty of title to property, a civil judgment is entered in a court of general jurisdiction in this state against a company which has made a deposit of securities with the director subject to the provisions of this chapter and the judgment has become final either by failure to appeal, dismissal of appeal, or by affirmance on appeal, or otherwise, and the judgment is not paid and satisfied in full within 60 days after the judgment has become final, the judgment may be enforced against the securities deposited with the director upon petition of the judgment creditor in the same cause in which judgment was obtained, setting out the above facts whereupon it is the duty of the court in which judgment is entered to direct the issuance of a special execution directed to the proper peace officer, enforcing the executions, in the City of Juneau, Alaska, which execution shall be as near as may be in the usual form and shall require on the part of the officer the sale of the securities or as much of them as may be necessary to the satisfaction of the judgment; when application is made for the issuance of the special execution and the court allows the same, the order in which the special execution is authorized shall direct that service of a copy of the judgment and the petition shall be made within five days thereafter upon the director; all proceedings relating to the enforcement of the writ of execution against the securities shall conform as near as may be to the practice in ordinary cases except as specially provided in this section; proceedings under the execution shall be a sufficient authority, where the above notices have been served on the director, for the delivery by the director to the officer of the securities to be sold upon the execution;

Duplicates requirements in AS 21.18.

To be repealed. See Sec. 221	<p>(4) except as provided in this chapter, the director shall hold intact the securities deposited with the director and shall retain them until all liabilities under any guaranteed certificate of title or policy of title insurance, or other guaranty of title covering property in this state, issued by the company having deposited the securities, have legally terminated, or until such time as all liabilities of the company under guaranteed certificates of title or policies of title insurance or other guarantees of title have been assumed by some other title insurance company authorized to transact business in this state; after the termination of all liability of the title insurance company, and after the director completes an examination into the affairs of the company and determines that all liability against the guaranty fund has been legally terminated or satisfactorily assumed by some other title insurance company licensed to do a title insurance business in this state; the director is authorized to immediately return the securities to the company and revoke the certificate of authority granted the company to do any title insurance business in the state;</p>	Duplicates requirements in AS 21.18.
To be repealed. See Sec. 221	<p>(5) however, if the guaranty fund is at any time impaired by reason of the payment of any judgment against the company depositing the funds or for any reason whatsoever and remains so impaired for a period of 30 days after written notice to the company, the director is authorized to and shall immediately revoke the certificate of authority granted the company, and to publish a notice of the revocation in a daily paper of general circulation published in the city wherein the company has its principal offices at least once a week for six successive weeks, the expense of the publication to be chargeable against the guaranty fund of the company.</p>	Duplicates requirements in AS 21.18.

<p>To be repealed. See Sec. 221</p>	<p>AS 21.66.050 TITLE INSURANCE UNEARNED PREMIUM RESERVE FUND. (a) Every title insurance company, either foreign or domestic, operating in this state under the provisions of this chapter, shall annually set apart, establish, segregate and maintain at the end of each year into an account to be known as Title Insurance Unearned Premium Reserve Fund, a sum equal to three per cent of its gross premiums on title insurance policies issued during the year then ending covering property in this state. The reserve fund shall be in addition to the deposit with the director. There shall be no other reserve requirements. The reserve must be maintained separately and apart from the capital of the company, and shall be invested in the securities which are authorized for investment by domestic insurance companies under the laws of this state. Funds accumulated under this provision shall never be used for the payment of an obligation other than those incurred in connection with title insurance, and, in the event of the insolvency of a company, this fund shall be used to pay losses and to purchase reinsurance to protect title insurance policyholders even though there are no accrued title insurance claims. The reserve fund shall be considered and shall constitute unearned portions of the original premiums and shall be charged as a reserve liability of the company in determining its financial condition.</p>	<p>Obsolete section. Reflects 1990 adoption of AS 21.18.073 dealing with same subject, unearned premium reserves.</p>
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To be repealed. See Sec. 221	(h) The reserve funds shall be maintained in the treasury of the insurer as additional security to holders of title insurance policies issued by the insurer. When, on account of losses or otherwise, the amount of the reserve fund of an insurer is less than the amount required by this chapter no further insurance policies shall be issued by the insurer until the deficiency below the amount required is restored. The net income and profits derived from the fund shall be transferred to the general assets of the company. The company shall also at all times keep a separate record of the cash and securities of the reserve fund, giving complete identification of the assets belonging to the fund and showing full particulars as to withdrawals and additions. After the expiration of 120 months from the date of the first annual deposit in the unearned premium reserve fund made by a corporation now or hereafter qualified, that portion of the reserve fund established more than 120 months earlier shall be released and shall no longer constitute a part of the reserve fund and may be used for a corporate purpose.	Obsolete section. Reflects 1990 adoption of AS 21.18.073 dealing with same subject, unearned premium reserves.
* Sec. 156. AS 21.66.060 is amended to read:	AS 21.66.060	
Sec. 21.66.060. DIVIDENDS. A title insurance company may not pay dividends except from net profits remaining on hand after retaining unimpaired	AS 21.66.060. DIVIDENDS. A title insurance company may not pay dividends except from net profits remaining on hand after retaining unimpaired	No change.
(1) the subscribed capital stock;	(1) the subscribed capital stock;	No change
(2) the amount required to be set aside as unearned premium reserve fund <u>under AS 21.18.073</u> ;	(2) the amount required to be set aside as unearned premium reserve fund ;	Editorial change. Reflects 1990 adoption of AS 21.18.073 dealing with unearned premium reserves.
(3) a sum sufficient to pay current liabilities for operating expenses and taxes, and losses established or in process of settlement, without impairment of the unearned premium reserve fund <u>required under AS 21.18.073</u> .	(3) a sum sufficient to pay current liabilities for operating expenses and taxes, and losses established or in process of settlement, without impairment of the unearned premium reserve fund .	Editorial change. Reflects 1990 adoption of AS 21.18.073 dealing with unearned premium reserves.

Proposed Legislation	Existing Statute	Comments
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<p>* Sec. 157. AS 21.66.080(a) is amended to read:</p>	<p>AS 21.66.080(a)</p>	
<p>(a) Every [TITLE INSURANCE] company, on or before March 1 of each year, shall furnish the director a sworn statement of assets and liabilities, and of all title premiums received by it during the preceding calendar year, setting out among other things <u>the amounts</u> that [THREE PERCENT OF ALL GROSS PREMIUMS ON TITLE INSURANCE POLICIES ISSUED BY IT DURING THE YEAR, COVERING PROPERTY IN THIS STATE,] have been set aside and held by it in an account <u>required under AS 21.18.073</u> [KNOWN AS THE TITLE INSURANCE UNEARNED PREMIUM RESERVE FUND, AS PROVIDED IN THIS CHAPTER]. The reporting format for a given year is the most recently approved National Association of Insurance <u>Commissioners</u> [COMMISSIONERS'] Annual Financial Statement blank form and instructions, supplemented for additional information as required by the director. The director may require the statement to be filed on electronic media. The statement must also show all unpaid losses and claims upon title insurance policies of which the title insurance company has received due notice in writing from or on behalf of the insured. With the filing of the statement the title insurance company shall pay a filing fee set under AS 21.06.250.</p>	<p>(a) Every corporation, on or before March 1 of each year, shall furnish the director a sworn statement of assets and liabilities, and of all title premiums received by it during the preceding calendar year, setting out among other things that three percent of all gross premiums on title insurance policies issued by it during the year, covering property in this state have been set aside and held by it in an account known as the Title Insurance Unearned Premium Reserve Fund, as provided in this chapter. The reporting format for a given year is the most recently approved National Association of Insurance Commissioners' Annual Financial Statement blank form and instructions, supplemented for additional information as required by the director. The director may require the statement to be filed on electronic media. The statement must also show all unpaid losses and claims upon title insurance policies of which the corporation has received due notice in writing from or on behalf of the insured. With the filing of the statement the corporation shall pay a filing fee set under AS 21.06.250.</p>	<p>Editorial change. Reflects 1990 adoption of AS 21.18.073 dealing with unearned premium reserves.</p>

<p>• Sec. 158. AS 21.66.090(a) is amended to read:</p>	AS 21.66.090(a)	
<p>(a) Every company, before engaging in a title insurance business in this state, shall apply to the director for a certificate of authority to transact business <u>under AS 21.09</u>. [THE COMPANY SHALL SUBMIT WITH THE APPLICATION A STATEMENT SWORN TO BY THE PROPER OFFICERS OF THE COMPANY SHOWING ITS ASSETS AND LIABILITIES AND THAT IT HAS COMPLIED WITH THE CAPITAL REQUIREMENTS AND INITIAL GUARANTEE FUND DEPOSIT PRESCRIBED BY THIS CHAPTER.]</p>	<p>(a) Every company, before engaging in a title insurance business in this state, shall apply to the director for a certificate of authority to transact business. The company shall submit with the application a statement sworn to by the proper officers of the company showing its assets and liabilities and that it has complied with the capital requirements and initial guarantee fund deposit prescribed by this chapter.</p>	<p>Duplicated in AS 21.09. Transfers functions already in AS 21.09 and references them here.</p>
<p>To be repealed. See Sec. 221</p>	<p>AS 21.66.100 ISSUANCE OF CERTIFICATE OF AUTHORITY BY DIRECTOR. If satisfied that the applicant has fully complied with the provisions of this chapter the director shall issue a certificate of authority. A company that has heretofore qualified in this state as a trust company with title insurance powers under the banking act and is in good standing under existing law shall be entitled to a certificate of authority upon its filing the application and furnishing the information required in the preceding section.</p>	<p>Duplicates requirements in AS 21.09.</p>
<p>• Sec. 159. AS 21.66.110 is amended to read:</p>	AS 21.66.110	
<p>Sec. 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS. Annually each title insurance company shall pay <u>on or before March</u> [APRIL 1], a tax of one percent of the amount of gross title insurance premiums received by it including as premium income received from guaranteed certificates of title and other guarantees of title during the preceding calendar year covering property in this state, as shown by its annual statement to the director.</p>	<p>AS 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS. Annually each title insurance company shall pay before April 1, a tax of one percent of the amount of gross title insurance premiums received by it including as premium income received from guaranteed certificates of title and other guarantees of title during the preceding calendar year covering property in this state, as shown by its annual statement to the director.</p>	<p>Change to "on or before March 1" provides for a consistent tax due date throughout the Title</p>

To be repealed. See Sec. 221	AS 21.66.120(b) If the director finds that there is an impairment of capital or that the company is not complying with the provisions of this chapter, the director shall give notice to the company to correct its capital structure to remove the impairment or to comply with the provisions of this chapter. If within 30 days the company has failed to comply with the notice or has refused to permit an examination, the director may revoke the certificate of authority issued to the company authorizing it to do business in this state until the company has fully complied with the orders of the director and the provisions of this chapter.	Duplicates requirements in AS 21.09.
To be repealed. See Sec. 221	AS 21.66.130 EXPENSES OF EXAMINATION. Expenses incurred due to an examination of the company shall be paid as required by AS 21.06.160.	Duplicates requirements in AS 21.06.
To be repealed. See Sec. 221	AS 21.66.140 FINE OR INJUNCTION FOR DOING BUSINESS DURING SUSPENSION OF CERTIFICATE. (a) A corporation continuing to do title insurance business after revocation of its certificate of authority to do business and while in default under this chapter shall be liable in addition to any other civil or criminal liability to a fine of \$50 for each day of the default. The fine may be recovered by an action to be instituted by the attorney general in the name of the state. The corporation may be enjoined from doing business until payment of the fine is fully made and notice of payment given to the director.	Duplicates requirements in AS 21.09.
To be repealed. See Sec. 221	(b) Upon payment of the fine to the state and full compliance in all other respects with the laws of this state, the certificate of authority shall be reinstated and the corporation shall be permitted to resume its business.	Duplicates requirements in AS 21.09.

Proposed Legislation	Existing Statutes	Comments
To be repealed. See Sec. 221	AS 21.66.160 PENALTIES. An officer, director, agent or employee of a company determined by the director, following an appropriate hearing as provided in AS 21.06.170 - 21.06.230, to have, before obtaining a certificate of authority from the director or after a revocation of a certificate of authority by the director, issued a policy of title insurance or certificate of title on property in this state or engaged in title insurance business in this state, is subject to a civil penalty not to exceed \$2,500.	Duplicates requirements in AS 21.09, AS 21.07, AS 21.36, and AS 21.90
* Sec. 160. AS 21.66.170(a) is amended to read:	AS 21.66.170(a)	
(a) A policy or contract of title insurance may not be written until the title insurance company conducts or has conducted a reasonable search and examination of the title and has made a determination of insurability of title in accordance with its established underwriting practices. Evidence of the determination shall be preserved and retained in the files of the title insurance company or its agent for a period of not less than 15 years after the policy or contract of title insurance has been issued. In lieu of retaining the original evidence, the title insurance company or the title insurance <u>limited producer</u> [AGENT], may, in the regular course of business, establish a system by which all or part of these writings are recorded, copied, or reproduced by any photographic, photostatic, microfilm, microcard, miniature photographic, or other process that accurately reproduces or forms a durable medium for reproducing the original.	(a) A policy or contract of title insurance may not be written until the title insurance company conducts or has conducted a reasonable search and examination of the title and has made a determination of insurability of title in accordance with its established underwriting practices. Evidence of the determination shall be preserved and retained in the files of the title insurance company or its agent for a period of not less than 15 years after the policy or contract of title insurance has been issued. In lieu of retaining the original evidence, the title insurance company or the title insurance [agent, may, in the regular course of business, establish a system by which all or part of these writings are recorded, copied, or reproduced by any photographic, photostatic, microfilm, microcard, miniature photographic, or other process that accurately reproduces or forms a durable medium for reproducing the original.	Editorial change. Reflects the new license types in AS 21.27
* Sec. 161. AS 21.66.180 is amended to read:	AS 21.66.180	
Sec. 21.66.180. GENERAL POWERS. A title insurance company may	AS 21.66.180. GENERAL POWERS. A title insurance company may	No change.

Proposed Legislation	Existing Statute	Comments
(1) do business as defined in AS 21.66.480;	(1) do business as defined in AS 21.66.480;	No change.
(2) do any act, directly or through a title insurance <u>limited producer</u> [AGENT], incidental to making a contract or policy of title insurance, including, but not limited to, conducting or holding an escrow, settlement, or closing of a transaction; and,	(2) do any act, directly or through a title insurance agent, incidental to making a contract or policy of title insurance, including, but not limited to, conducting or holding an escrow, settlement, or closing of a transaction; and,	Editorial change. Reflects the new license types in AS 21.27.
(3) provide other services relative or incidental to the sale and transfer of real or personal property.	(3) provide other services relative or incidental to the sale and transfer of real or personal property.	No change.
* Sec. 162. AS 21.66.210(a) is amended to read:	AS 21.66.210(a)	
(a) Two or more title insurance companies <u>or two or more title insurance limited producers, or a combination of title insurance companies and title insurance limited producers</u> [AND ONE OR MORE TITLE INSURANCE AGENTS] may apply to the director of insurance to form an association, corporation, or other legal entity, for the purpose of engaging in the business of preparing abstracts of title searches from public records or from records to be owned by the entity, upon the basis of which a title insurance <u>limited producer</u> [AGENT] or a title insurance company will issue title policies. The owners or participants are considered to be in compliance with the provisions of this section if the title plant of the association, corporation, or other legal entity complies with the provisions of this section. The application must contain	(a) Two or more title insurance companies and one or more title insurance agents may apply to the director of insurance to form an association, corporation, or other legal entity, for the purpose of engaging in the business of preparing abstracts of title searches from public records or from records to be owned by the entity, upon the basis of which a title insurance agent or a title insurance company will issue title policies. The owners or participants are considered to be in compliance with the provisions of this section if the title plant of the association, corporation, or other legal entity complies with the provisions of this section. The application must contain	Allows two or more title entities to form a joint title plant. This is intended to encourage cost saving efficiencies in the title business. There is also an editorial change to reflect the new license types in AS 21.27.
(1) a copy of the proposed articles of incorporation or association and the bylaws or agreement governing the operation of the entity;	(1) a copy of the proposed articles of incorporation or association and the bylaws or agreement governing the operation of the entity;	No change
(2) a list of the owners or participants;	(2) a list of the owners or participants;	No change

(3) the names and addresses of the persons who will operate the entity, with a description of their experience and qualifications;	(3) the names and addresses of the persons who will operate the entity, with a description of their experience and qualifications;	No change
(4) the conditions under which ownership or participation in the entity may be sold or acquired;	(4) the conditions under which ownership or participation in the entity may be sold or acquired;	No change
(5) a statement of whether or not title information will be compiled and sold to persons other than owners of or participants in the entity;	(5) a statement of whether or not title information will be compiled and sold to persons other than owners of or participants in the entity;	No change
(6) a pro forma balance sheet and other financial information to indicate the sufficiency of financing the entity.	(6) a pro forma balance sheet and other financial information to indicate the sufficiency of financing the entity.	No change
To be repealed. Sec Sec. 221	AS 21.66.260 TITLE INSURANCE AGENTS CERTIFICATION. Each title insurance company authorized to transact business in this state shall certify annually to the director the names of all title insurance agents representing it in this state.	Consolidated in AS 21.27.
* Sec. 163. AS 21.66.270 is amended to read:	AS 21.66.270	
Sec. 21.66.270. TITLE INSURANCE <u>LIMITED PRODUCERS</u> [AGENTS] TO BE LICENSED. <u>A title</u> [TITLE] insurance <u>limited producer</u> [AGENTS] shall be licensed in the manner provided for [AGENTS OF INSURANCE COMPANIES] in AS 21.27. <u>A title insurance limited producer may not be licensed to sell insurance other than title insurance.</u>	Sec. 21.66.270. TITLE INSURANCE AGENTS TO BE LICENSED. Title insurance agents shall be licensed in the manner provided for agents of insurance companies in AS 21.27.	Editorial change. Reflects the new license types in AS 21.27.

* Sec. 164. AS 21.66.280 is amended to read:	AS 21.66.280	
<p>Sec. 21.66.280. <u>TITLE INSURANCE LIMITED PRODUCERS</u> [AGENTS], BOOKS, AND RECORDS. (a) <u>In addition to any other requirement of this title,</u> a [EACH] title insurance <u>limited producer licensee</u> [AGENT] shall maintain books of accounts and records and vouchers pertaining to the business of title insurance in a manner that the director, or an authorized representative, may readily ascertain whether the <u>licensee</u> [AGENT] has complied with the provisions of this chapter.</p>	<p>AS 21.66.280. AGENTS, BOOKS, AND RECORDS. (a) Each title insurance agent shall maintain books of accounts and records and vouchers pertaining to the business of title insurance in a manner that the director, or an authorized representative, may readily ascertain whether the agent has complied with the provisions of this chapter.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>(b) A title insurance <u>limited producer licensee</u> [AGENT] may engage in the business of handling escrows, settlements, and closings in connection with the business of title insurance; however,</p>	<p>(b) A title insurance agent may engage in the business of handling escrows, settlements, and closings in connection with the business of title insurance; however,</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>(1) the <u>licensee</u> [AGENT] shall maintain a separate record of all receipts and disbursements of escrow funds and may not commingle the funds with personal funds or with funds held by the <u>licensee</u> [AGENT] in any other capacity;</p>	<p>(1) the agent shall maintain a separate record of all receipts and disbursements of escrow funds and may not commingle the funds with personal funds or with funds held by the agent in any other capacity;</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>(2) the <u>licensee</u> [AGENT] shall comply with the standards of solvency that the director requires; and</p>	<p>(2) the agent shall comply with the standards of solvency that the director requires; and</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>(3) the <u>licensee</u> [AGENT] shall submit financial statements that the director requires.</p>	<p>(3) the agent shall submit financial statements that the director requires.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>(c) <u>In addition to any other penalty provided by law,</u> if [IF] the director determines that a <u>title insurance limited producer licensee</u> [AN AGENT] has failed to comply with a provision of this section, the director may, after a hearing, revoke the <u>limited producer</u> license [OF THE AGENT].</p>	<p>(c) If the director determines that an agent has failed to comply with a provision of this section, the director may, after a hearing, revoke the license [of the agent]</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>

Proposed Legislation	Existing Statute	Comments
<p>• Sec. 165. AS 21.66.290 is amended to read:</p>	<p>AS 21.66.290</p>	
<p>Sec. 21.66.290. <u>TITLE INSURANCE LIMITED PRODUCER</u> [AGENT] REPLIES TO DIRECTOR INQUIRIES. <u>Δ</u> [EACH] title insurance <u>limited producer</u> [AGENT] shall reply in writing promptly, with a copy of the reply mailed to each title insurance company for which the <u>licensee</u> [AGENT] is acting, to an inquiry of the director relating to the <u>licensee's</u> [AGENT'S] acts as a title insurance <u>limited producer</u> [AGENT]. <u>In addition to any other penalty provided by law, failure</u> [FAILURE] to reply is a ground for revocation of the [AGENT'S] license. <u>Δ</u> [IN ADDITION, A] copy of the inquiry shall be sent by the director to each title insurance company for which the <u>licensee</u> [AGENT] is acting.</p>	<p>AS 21.66.290. AGENT REPLIES TO DIRECTOR INQUIRIES. Each title insurance agent shall reply in writing promptly, with a copy of the reply mailed to each title insurance company for which the agent is acting, to an inquiry of the director relating to the agent's acts as a title insurance agent. Failure to reply is a ground for revocation of the agent's license. In addition, a copy of the inquiry shall be sent by the director to each title insurance company for which the agent is acting.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>• Sec. 166. AS 21.66.300 is amended to read:</p>	<p>AS 21.66.300</p>	
<p>Sec. 21.66.300. CERTAIN [AGENCY] NAMES PROHIBITED. <u>A title insurance limited producer</u> [AFTER AUGUST 14, 1974, AN AGENT] for a title insurance company may not adopt a firm name containing the words "title insurance", "title guaranty", or "title guarantee", unless the words are followed by the words "agent" or "agency" in the same size and type as the words preceding them. This section does not apply to a title insurance company acting as an agent for another title insurance company.</p>	<p>AS 21.66.300. CERTAIN AGENCY NAMES PROHIBITED. After August 14, 1974, an agent for a title insurance company may not adopt a firm name containing the words "title insurance", "title guaranty", or "title guarantee", unless the words are followed by the words "agent" or "agency" in the same size and type as the words preceding them. This section does not apply to a title insurance company acting as an agent for another title insurance company.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>

<p>• Sec. 167. AS 21.66.310(a) is amended to read:</p>	AS 21.66.310(a)	
<p>(a) A title insurer, or officer, employee, attorney, <del>or title insurance limited producer</del> [AGENT, OR SOLICITOR] of a title insurer, may not pay, allow, or give or offer to pay, allow, or give, directly or indirectly, as an inducement to obtaining a title insurance business, a rebate, reduction, or abatement of a rate or charge made incident to the issuance of the title insurance, a special favor or advantage, money consideration, or other inducement. A charge made incident to the issuance of the insurance is construed to include, without limitation, escrow, settlement, and closing charges.</p>	<p>(a) A title insurer, or officer, employee, attorney, agent, or solicitor of a title insurer, may not pay, allow, or give or offer to pay, allow, or give, directly or indirectly, as an inducement to obtaining a title insurance business, a rebate, reduction, or abatement of a rate or charge made incident to the issuance of the title insurance, a special favor or advantage, money consideration, or other inducement. A charge made incident to the issuance of the insurance is construed to include, without limitation, escrow, settlement, and closing charges.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>• Sec. 168. AS 21.66.310(c) is amended to read:</p>	AS 21.66.310(c)	
<p>(c) Nothing in this section prohibits</p>	<p>(c) Nothing in this section prohibits</p>	<p>No change.</p>
<p>(1) the payment of fees for services actually rendered as a result of a title insurance transaction; or</p>	<p>(1) the payment of fees for services actually rendered as a result of a title insurance transaction; or</p>	<p>No change.</p>
<p>(2) the payment of a commission to a legally appointed title insurance <del>limited producer</del> [AGENT] who issues the policy of title insurance.</p>	<p>(2) the payment of a commission to a legally appointed title insurance agent who issues the policy of title insurance.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>

* Sec. 169. AS 21.66.330 is amended to read:	AS 21.66.330	
<p>Sec. 21.66.330. EXAMINATION OF RECORDS. If the director has reason to believe that a title insurance <u>limited producer</u> [AGENT] has violated or is in violation of AS 21.66.310, the director shall immediately examine the title insurance <u>limited producer's</u> [AGENT'S] books of account and record and vouchers pertaining to the business of title insurance. The title insurance <u>limited producer</u> [AGENT] shall pay to the director the cost of an examination conducted under this section.</p>	<p>Sec. 21.66.330. EXAMINATION OF RECORDS. If the director has reason to believe that a title insurance agent has violated or is in violation of AS 21.66.310, the director shall immediately examine the title insurance agent books of account and record and vouchers pertaining to the business of title insurance. The title insurance agent shall pay to the director the cost of an examination conducted under this section.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>* Sec. 170. AS 21.66.350 is amended to read:</p>	AS 21.66.350	
<p>Sec. 21.66.350. DIVISION OF RATES. Nothing in this chapter prohibits the division of rates and charges between or among a title insurance company and its agent, two or more title insurance companies, one or more title insurance companies and one or more title insurance <u>limited producers</u> [AGENTS], or two or more title insurance <u>limited producers</u> [AGENTS,] if the division of rates and charges does not constitute an unlawful rebate and is not in payment of a forwarding fee or finder's fee.</p>	<p>Sec. 21.66.350. DIVISION OF RATES. Nothing in this chapter prohibits the division of rates and charges between or among a title insurance company and its agent, two or more title insurance companies, one or more title insurance companies and one or more title insurance agents, or two or more title insurance agents if the division of rates and charges does not constitute an unlawful rebate and is not in payment of a forwarding fee or finder's fee.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>

<p>* Sec. 171. AS 21.66.370(a) is amended to read:</p>	AS 21.66.370(a)	
<p>(a) A title insurance company shall file with the director its schedules of rates, manuals of classifications, rules and plans relating to schedules of rates or manuals of classification, and every modification of the schedules or manuals that it proposes to use in this state. A filing under this section must contain the effective dates of the documents filed, and indicate the character and extent of the coverage contemplated. [A TITLE INSURANCE COMPANY MAY SATISFY ITS OBLIGATIONS TO MAKE THESE FILINGS BY BECOMING A MEMBER OF, OR A SUBSCRIBER TO, A LICENSED TITLE INSURANCE RATING ORGANIZATION THAT MAKES SUCH FILINGS, AND BY AUTHORIZING THE COMMISSIONER TO ACCEPT THE FILINGS ON ITS BEHALF.]</p>	<p>(a) A title insurance company shall file with the director its schedules of rates, manuals of classifications, rules and plans relating to schedules of rates or manuals of classification, and every modification of the schedules or manuals which it proposes to use in this state. A filing under this section shall contain the effective dates of the documents filed, and indicate the character and extent of the coverage contemplated. A title insurance company may satisfy its obligations to make these filings by becoming a member of, or a subscriber to, a licensed title insurance rating organization that makes such filings, and by authorizing the commissioner to accept the filings on its behalf.</p>	<p>References to rating organizations removed. None have formed in Alaska and in view of past litigation, none is likely to form. References to rating organizations removed. See comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>
<p>* Sec. 172. AS 21.66.370(c) is amended to read:</p>	AS 21.66.370(c)	
<p>(c) Subject to the provisions of (e) of this section, a [EACH] filing shall be on file for a period of 30 days before it becomes effective. The director may, upon written notice given within the 30-day period to the person making the filing, extend the waiting period for an additional period, not to exceed 30 days, in order to complete the review of the filing. Additional extensions of the waiting period may also be made with the consent of the title insurance company [OR RATING ORGANIZATION]. Upon written application by the title insurance company [OR RATING ORGANIZATION], the director, after review of the application, may authorize a filing or any part of it to become effective upon the expiration of the waiting period or its extension.</p>	<p>(c) Subject to the provisions of (e) of this section, each filing shall be on file for a period of 30 days before it becomes effective. The director may, upon written notice given within the 30-day period to the person making the filing, extend the waiting period for an additional period, not to exceed 30 days, in order to complete the review of the filing. Additional extensions of the waiting period may also be made with the consent of the title insurance company or rating organization. Upon written application by the title insurance company or rating organization, the director, after review of the application, may authorize a filing or any part of it to become effective upon the expiration of the waiting period or its extension.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>

<p>* Sec. 173. AS 21.66.370(f) is amended to read:</p>	<p>AS 21.66.370(f)</p>	
<p>(f) A title insurance company or <u>title insurance limited producer</u> [AGENT OF A TITLE INSURANCE COMPANY] may not charge a rate for a policy or contract of title insurance except in accordance with filings or rates that are in effect for the title insurance company as provided in this chapter.</p>	<p>(f) A title insurance company or agent of a title insurance company may not charge a rate for a policy or contract of title insurance except in accordance with filings or rates that are in effect for the title insurance company as provided in this chapter.</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>* Sec. 174. AS 21.66.380(a) is amended to read:</p>	<p>AS 21.66.380(a)</p>	
<p>(a) A rate filing shall be accompanied by a statement of the title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] making the filing, setting out the basis on which the rate was determined, with the rates computed. A filing of rates may be justified by</p>	<p>(a) A rate filing shall be accompanied by a statement of the title insurance company or title insurance rating organization making the filing, setting out the basis on which the rate was determined, with the rates computed. A filing of rates may be justified by</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>
<p>(1) the experience or judgment of the title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] making the filing;</p>	<p>(1) the experience or judgment of the title insurance company or title insurance rating organization making the filing;</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>
<p>(2) its interpretation of any statistical data relied upon;</p>	<p>(2) its interpretation of any statistical data relied upon;</p>	<p>No change.</p>
<p>(3) the experience of other title insurance companies [OR TITLE INSURANCE RATING ORGANIZATIONS] making the filings; or</p>	<p>(3) the experience of other title insurance companies or title insurance rating organizations making the filings; or</p>	<p>No change.</p>
<p>(4) any other factors that the title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] considers relevant.</p>	<p>(4) any other factors that the title insurance company or title insurance rating organization considers relevant.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>

* Sec. 175. AS 21.66.390 is amended to read:	AS 21.66.390	
<p>Sec. 21.66.390. MAKING OF RATES. (a) A title insurance company [THAT MAKES ITS OWN RATES AND EACH TITLE INSURANCE RATING ORGANIZATION] shall make rates that are not excessive or inadequate and that do not unfairly discriminate between risks in this state that involve essentially the same exposure to loss and expense elements, and that give due consideration to</p>	<p>Sec. 21.66.390. MAKING OF RATES. (a) A title insurance company that makes its own rates and each title insurance rating organization shall make rates that are not excessive or inadequate and that do not unfairly discriminate between risks in this state that involve essentially the same exposure to loss and expense elements, and that give due consideration to</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>
<p>(1) the desirability for stability of rate structures;</p>	<p>(1) the desirability for stability of rate structures;</p>	<p>No change.</p>
<p>(2) the necessity of assuring the financial solvency of title insurance companies in periods of economic depression by encouraging growth in assets of title insurance companies in periods of high business activity; and</p>	<p>(2) the necessity of assuring the financial solvency of title insurance companies in periods of economic depression by encouraging growth in assets of title insurance companies in periods of high business activity; and</p>	<p>No change.</p>
<p>(3) the necessity for assuring a reasonable margin of underwriting and operating profit.</p>	<p>(3) the necessity for assuring a reasonable margin of underwriting and operating profit.</p>	<p>No change.</p>
<p>(b) A title insurance company [THAT MAKES ITS OWN RATES AND EACH TITLE INSURANCE RATING ORGANIZATION] shall adopt basic classifications of policies or contracts of title insurance <del>that</del> [WHICH] shall be used as the basis for rate-making.</p>	<p>(b) A title insurance company that makes its own rates and each title insurance rating organization shall adopt basic classifications of policies or contracts of title insurance which shall be used as the basis for rate-making.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>

* Sec. 176. AS 21.66.400(a) is amended to read:	AS 21.66.400(a)	
<p>(a) If within the waiting period provided for in AS 21.66.370(c) the director finds that a filing does not meet the requirements of this chapter, the director shall send to the title insurance company [OR TITLE: INSURANCE RATING ORGANIZATION] that made the filing, written notice of disapproval of the filing specifying in what respects the director finds the filing fails to meet the requirements of this chapter and stating that the filing may not become effective.</p>	<p>(a) If within the waiting period provided for in AS 21.66.370(c) the director finds that a filing does not meet the requirements of this chapter, the director shall send to the title insurance company or title insurance rating organization that made the filing, written notice of disapproval of the filing specifying in what respects the director finds the filing fails to meet the requirements of this chapter and stating that the filing may not become effective.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>

Proposed Legislation	Existing Statute	Comments
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<p>* Sec. 177. AS 21.66.400(b) is amended to read:</p>	<p>AS 21.66.400(b)</p>	
<p>(b) If at any time after the applicable review period provided for in AS 21.66.370(c) the director finds that a filing does not meet the requirements of this chapter, the director shall, before issuing an order of disapproval, hold a hearing upon not less than 10 days written notice, specifying in reasonable detail the matters to be considered at the hearing. Notice of hearing shall be given to each title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] that made the filing, and if, after the hearing, the director finds that the filing or a part of the filing does not meet the requirements of this chapter, the director shall issue an order specifying how it is deficient, and when, within a reasonable period thereafter, the filing or a part of it is considered no longer effective. A title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] has the right to withdraw a filing or a part of a filing. Copies of the order issued under this section shall be sent to every title insurance company [AND TITLE INSURANCE RATING ORGANIZATION] affected. The order does not affect a contract or policy made or issued before the expiration of the period set out in the order.</p>	<p>(b) If at any time after the applicable review period provided for in AS 21.66.370(c) the director finds that a filing does not meet the requirements of this chapter, the director shall, before issuing an order of disapproval, hold a hearing upon not less than 10 days written notice, specifying in reasonable detail the matters to be considered at the hearing. Notice of hearing shall be given to each title insurance company or title insurance rating organization that made the filing, and if, after the hearing, the director finds that the filing or a part of the filing does not meet the requirements of this chapter, the director shall issue an order specifying how it is deficient, and when, within a reasonable period thereafter, the filing or a part of it is considered no longer effective. A title insurance company or title insurance rating organization has the right to withdraw a filing or a part of a filing. Copies of the order issued under this section shall be sent to every title insurance company and title insurance rating organization affected. The order does not affect a contract or policy made or issued before the expiration of the period set out in the order.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>

* Sec. 178. AS 21.66.400(c) is amended to read:	AS 21.66.400(c)	
<p>(c) A person or organization aggrieved with respect to a filing that is in effect may make a written application to the director for a hearing on the filing. The title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] that made the filing may not proceed under this subsection. The application shall specify in reasonable detail the grounds to be relied on by the applicant. If the director finds that the application is made in good faith, that the applicant would be aggrieved if the applicant's grounds are established, and that the applicant's grounds otherwise justify holding a hearing, the director shall, within 60 days after receipt of the application, hold a hearing upon not less than 10 days written notice to the applicant and to each title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] that made such a filing. If, after the hearing, the director finds that the filing or a part of it does not meet the requirements of this chapter, the director shall issue an order specifying how the filing or a part of it fails to meet the requirements of this chapter, stating when, within a reasonable period after the order is issued, the filing or a part of it is considered no longer effective. Copies of the order shall be sent to the applicant and to every affected title insurance company [OR TITLE INSURANCE RATING ORGANIZATION]. The order does not affect a contract or policy made or issued before the expiration of the period set out in the order.</p>	<p>(c) A person or organization aggrieved with respect to a filing that is in effect may make a written application to the director for a hearing on the filing. The title insurance company or title insurance rating organization that made the filing may not proceed under this subsection. The application shall specify in reasonable detail the grounds to be relied on by the applicant. If the director finds that the application is made in good faith, that the applicant would be aggrieved if the applicant's grounds are established, and that the applicant's grounds otherwise justify holding a hearing, the director shall, within 60 days after receipt of the application, hold a hearing upon not less than 10 days written notice to the applicant and to each title insurance company or title insurance rating organization that made such a filing. If, after the hearing, the director finds that the filing or a part of it does not meet the requirements of this chapter, the director shall issue an order specifying how the filing or a part of it fails to meet the requirements of this chapter, stating when, within a reasonable period after the order is issued, the filing or a part of it is considered no longer effective. Copies of the order shall be sent to the applicant and to every affected title insurance company or title insurance rating organization. The order does not affect a contract or policy made or issued before the expiration of the period set out in the order.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>

Proposed Legislation	Existing Statute	Comments
<p>• Sec. 179. AS 21.66.400(d) is amended to read:</p> <p>(d) A title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] to which the director has issued an order made without a hearing may, within 30 days after notice to it of the order, make a written request to the director for a hearing. The director shall hear the party or parties within 60 days after receipt of the request and shall give not less than 10 days written notice of the time and place of the hearing. Within 15 days after the hearing the director shall affirm, reverse, or modify the previous action, specifying the reasons. Pending the hearing and decision the director may suspend or postpone the effective date of the previous action.</p>	<p>AS 21.66.400(d)</p> <p>(d) A title insurance company or title insurance rating organization to which the director has issued an order made without a hearing may, within 30 days after notice to it of the order, make a written request to the director for a hearing. The director shall hear the party or parties within 60 days after receipt of the request and shall give not less than 10 days written notice of the time and place of the hearing. Within 15 days after the hearing the director shall affirm, reverse, or modify the previous action, specifying the reasons. Pending the hearing and decision the director may suspend or postpone the effective date of the previous action.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>
<p>To be repealed. See Sec. 221</p>	<p>AS 21.66.401 TITLE INSURANCE RATING ORGANIZATIONS. (a) A person located in or out of the state may apply to the director for licensing as a title insurance rating organization and shall file as part of the application</p>	<p>Title insurance rating organizations were authorized in 1982. At that same time, the Federal Trade Commission was actively pursuing litigation against a number of title insurers in other states which effectively made this section inoperable. Title insurers will not attempt to form the organization in view of the Federal activity. It therefore seems prudent to rescind the authorization.</p>
<p>To be repealed. See Sec. 221</p>	<p>(1) a copy of its constitution, its articles of agreement or association, or its certificate of incorporation and a copy of its bylaws and rules governing the conduct of its business;</p>	<p>See comments for AS 21.66.401(a) above</p>
<p>To be repealed. See Sec. 221</p>	<p>(2) a list of its members and subscribers;</p>	<p>See comments for AS 21.66.401(a) above</p>
<p>To be repealed. See Sec. 221</p>	<p>(3) the name and address of a resident of the state upon whom notices or orders of the director or process affecting the rating organization may be served; and</p>	<p>See comments for AS 21.66.401(a) above</p>

To be repealed. See Sec. 221	(4) a statement of its qualifications as a title insurance rating organization.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(b) If the director finds that the applicant is competent, trustworthy, and otherwise qualified to act as a title insurance rating organization, and that its constitution, articles of agreement or association, or certificate of incorporation and its bylaws and rules governing the conduct of its business conform to the requirements of law, the director shall issue a license authorizing the applicant to act as a title insurance rating organization. Each application shall be granted or denied in whole or in part by the director within 60 days after the date of its filing with the director.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(c) A license issued under this section is in effect for three years unless sooner suspended or revoked by the director or withdrawn by the licensee. The fee for the license is \$100.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(d) A license issued under this section may be suspended or revoked by the director, after hearing upon notice, if the title insurance rating organization ceases to meet the requirements of this subsection. Each title insurance rating organization shall notify the director promptly of a change in	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(1) its constitution, its articles of agreement or association or its certificate of incorporation and its bylaws and rules governing the conduct of its business;	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(2) its list of members and subscribers; and	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(3) the name and address of the resident of this state designated by it upon whom notices or orders of the director or process affecting the rating organization may be served.	See comments for AS 21.66.401(a) above

To be repealed. See Sec. 221	(c) Subject to rules that have been approved by the director as reasonable, each title insurance rating organization shall permit any title insurance company to be a member or a subscriber to its rating services at a reasonable cost and without discrimination or to withdraw as a member or subscriber.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(f) Notice of a proposed change in rules of the title insurance rating organization must be given to members and subscribers. The reasonableness of a rule in its application to subscribers, or the refusal of a rating organization to admit a title insurance company as a subscriber, shall, at the request of a subscriber or a title insurance company, be reviewed by the director at a hearing held upon at least 10 days written notice to the rating organization and to the subscriber. If the director finds that a rule is unreasonable in its application to subscribers, the director shall order that the rule may not apply to subscribers. If the title insurance rating organization fails to grant or reject an application of a title insurance company for subscribership within 30 days after it was made, the title insurance company may request a review by the director as if the application had been rejected. If the director finds that the title insurance company has been refused admittance to the title insurance rating organization as a subscriber without justification, the director shall order the rating organization to admit the title insurance company as a subscriber. If the director finds that the action of the title insurance rating organization was justified, the director shall make an order affirming its action.	See comments for AS 21.66.401(a) above

To be repealed. See Sec. 221	(g) Cooperation among title insurance rating organizations, or among rating organizations and title insurance companies, and concert of action among title insurance companies under the same general management and control in rate making or in other matters within the scope of this section is authorized, if the resulting filing is subject to the provisions of this section that apply to filings generally.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(h) Two or more title insurance companies that are members of or subscribers to a title insurance rating organization may act in concert with each other with respect to the making of rates or rating systems, the preparation or making of insurance policy forms, underwriting rules, surveys, inspections and investigations, the furnishing of loss or expense statistics or other information and data, or carrying out research.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(i) The director may review the activities and practices under (g) and (h) of this section. If, after a hearing, the director finds that an activity or practice is unfair, unreasonable, or inconsistent with the provisions of this section, the director may issue a written order specifying how the activity or practice is unfair, unreasonable, or inconsistent with the provisions of this section and require discontinuance of the activity or practice.	See comments for AS 21.66.401(a) above

Proposed Legislation	Existing Statute	Comments
To be repealed. See Sec. 221	<p>AS 21.66.402 DEVIATIONS FROM FILINGS OF RATING ORGANIZATION. Each member of or subscriber to a title insurance rating organization must adhere to the filings made on its behalf by that organization, except a title insurance company that is a member of or subscriber to a rating organization may file with the director a decrease or increase to be applied to any elements of the rates produced by the rating system for a class of title insurance that is found by the director to be a proper rating unit for the application of the decrease or increase, or to be applied to the rates for a particular area. The filing must specify the basis for the deviation and be accompanied by the data or historical pattern upon which the applicant relies. A copy of the filing and data shall be sent simultaneously to the title insurance rating organization. Each deviation shall be effective for one year unless terminated sooner with the approval of the director, or in accordance with the provisions of AS 21.66.400.</p>	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	<p>AS 21.66.403 APPEAL FROM ACTION OF RATING ORGANIZATION. (a) A member of or subscriber to a title insurance rating organization may appeal to the director from an action or decision of the rating organization in approving or rejecting a proposed change in or addition to the filings of the rating organization. The failure of a title insurance rating organization to act within 30 days after submission to it of a proposal under this section is a rejection of the proposal.</p>	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	<p>(b) The director shall, after a hearing held upon not less than 10 days written notice to the appellant and the rating organization, issue an order approving the action or decision of the rating organization or directing it to give further consideration to the proposal and to take action or make a decision upon it within 30 days.</p>	See comments for AS 21.66.401(a) above

To be repealed. See Sec. 221	(c) If the appeal is from the action or decision of the title insurance rating organization in rejecting a proposed addition to its filings, the director may, if the director finds that the action or decision was unreasonable, issue an order directing the rating organization to make an addition to its filing on behalf of its members or subscribers, in a manner consistent with the findings, within a reasonable time after issuance of the order. If the appeal is from the action of the title insurance rating organization with regard to a rate or a proposed change in or addition to its filings relating to the character and extent of coverage, the director shall approve the action of the rating organization or the modification as proposed by the appellant, if either is in accordance with this chapter.	See comments for AS 21.66.401(a) above
To be repealed. See Sec. 221	(d) If the appeal is based on the failure of the rating organization to make a filing on behalf of the member or subscriber based on a system of expense allocation that differs, in accordance with the right granted in AS 21.66.390 from the system of expense allocation included in a filing made by the rating organization, the director shall, if the appeal is granted, order the rating organization to make the requested filing for use by the appellant. In deciding the appeal, the director shall apply the standards set out in AS 21.66.390.	See comments for AS 21.66.401(a) above

<p>* Sec. 180. AS 21.66.410(c) is amended to read:</p>	<p>AS 21.66.410(c)</p>	
<p>(c) In order to more uniformly administer rate regulations, the director and each title insurance company [OR TITLE INSURANCE RATING ORGANIZATION] may exchange information and experience data with insurance supervisory officials, title insurance companies, and title insurance rating organizations in other states, and may consult with them and with each other with respect to rate making and the application of rating systems.</p>	<p>(c) In order to more uniformly administer rate regulations, the director and each title insurance company or title insurance rating organization may exchange information and experience data with insurance supervisory officials, title insurance companies, and title insurance rating organizations in other states, and may consult with them and with each other with respect to rate making and the application of rating systems.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221.</p>
<p>* Sec. 181. AS 21.66.420 is amended to read:</p>	<p>AS 21.66.420</p>	
<p>Sec. 21.66.420. FALSE OR MISLEADING INFORMATION. A title insurance company or title insurance <u>limited producer</u> [AGENT] may not wilfully withhold information from, or knowingly give false or misleading information to the director [OR TO ANY TITLE INSURANCE RATING ORGANIZATION OF WHICH THE TITLE INSURANCE COMPANY IS A MEMBER OR SUBSCRIBER] that will affect the rates chargeable under this chapter.</p>	<p>Sec. 21.66.420. FALSE OR MISLEADING INFORMATION. A title insurance company or title insurance agent may not wilfully withhold information from, or knowingly give false or misleading information to the director or to any title insurance rating organization of which the title insurance company is a member or subscriber that will affect the rates chargeable under this chapter.</p>	<p>References to rating organizations removed. See comments for AS 21.66.370(a) above and comments for repeal of AS 21.66.401 - 403 in Sec. 221. Reflects the new license type in AS 21.27.</p>

To be repealed. See Sec. 221	AS 21.66.430 PENALTIES. (a) If the director finds, following an appropriate hearing as provided in AS 21.06.170 - 21.06.230, that a title insurance rating organization, a title insurance company, or title insurance agent has violated a provision of this chapter, the director may impose a civil penalty of not more than \$200 or the actual amount of gain resulting from the violation, whichever is greater, for each violation. If the violation described in this section is wilful, the director may impose a civil penalty of \$2,000 or three times the actual amount of gain resulting from the violation, whichever is greater, for each violation. A penalty imposed under this section is in addition to any other penalty provided by law. In this section, "gain" includes the total premium acquired through actions in violation of this chapter.	Redundant. Other penalty provisions in Title apply.
To be repealed. See Sec. 221	(b) In addition to the penalty provided in (a) of this section, the director may suspend the certificate of authority of a title insurance rating organization, title insurance company, or title insurance agent upon failure to comply with an order of the director within the time limit allowed by the order. A certificate of authority may not be suspended for failure to comply with an order until the time prescribed for an appeal has expired, or, if an appeal has been taken, until the order has been affirmed.	Redundant. Other penalty provisions in Title apply.
To be repealed. See Sec. 221	(c) The director may determine when a suspension of a certificate of authority becomes effective, and it remains in effect until modified or rescinded by the director, or until the order upon which the suspension is based is modified, rescinded or reversed.	Redundant. Other penalty provisions in Title apply.

To be repealed. See Sec. 221	(d) A penalty may not be imposed and a certificate of authority may not be suspended or revoked except upon a written order of the director, stating findings, and made after a hearing held upon not less than 10 days written notice to the person or organization, specifying the alleged violation.	Redundant. Other penalty provisions in Title apply.
To be repealed. See Sec. 221	AS 21.66.440 EXISTING FILINGS AND HEARINGS CONTINUED. All title insurance manuals of classifications, rules and rates, rating plans and their modifications filed before August 14, 1974 shall be considered to have been filed under this chapter. All hearings and investigations pending before August 14, 1974 shall be continued under this chapter.	Obsolete.
* Sec. 182. AS 21.66.480(4) is amended to read:	AS 21.66.480(4)	
(4) "rate" means a charge for title insurance risk, abstracting, searching, examination or determination of insurability, and every other activity, exclusive of escrow, settlement, or closing charges, whether denominated premium or otherwise, made by a title insurance company or an agent of a title insurance company to an insured or to an applicant for insurance, for a policy or contract of title insurance; however, "rate" does not include charges paid to and retained by an attorney at law, abstractor, surveyor, tax service, or any other person acting in a capacity other than as a title insurance <u>limited producer</u> [AGENT] and on behalf of a client other than a title insurance company, or charges made for special services, even though performed in connection with a title insurance policy or contract;	(4) "rate" means a charge for title insurance risk, abstracting, searching, examination or determination of insurability, and every other activity, exclusive of escrow, settlement, or closing charges, whether denominated premium or otherwise, made by a title insurance company or an agent of a title insurance company to an insured or to an applicant for insurance, for a policy or contract of title insurance; however, "rate" does not include charges paid to and retained by an attorney at law, abstractor, surveyor, tax service, or any other person acting in a capacity other than as a title insurance agent and on behalf of a client other than a title insurance company, or charges made for special services, even though performed in connection with a title insurance policy or contract;	Editorial change. Reflects the new license types in AS 21.27.

<p>• Sec. 183. AS 21.66.480(7) is amended to read:</p>	<p>AS 21.66.480(7)</p>	
<p>(7) "title insurance <del>limited producer</del> [AGENT]" means a person, firm, association, trust, corporation, cooperative, joint-stock company, or other legal entity authorized in writing by a title insurance company to solicit title insurance, collect premiums, determine insurability in accordance with the underwriting rules and standards prescribed by the title insurance company that the <u>licensee</u> [AGENT] represents, and issue policies in its behalf; however, the term "title insurance <del>limited producer</del> [AGENT]" does not include officers and salaried employees of a title insurance company;</p>	<p>(7) "title insurance agent" means a person, firm, association, trust, corporation, cooperative, joint-stock company, or other legal entity authorized in writing by a title insurance company to solicit title insurance, collect premiums, determine insurability in accordance with the underwriting rules and standards prescribed by the title insurance company that the agent represents, and issue policies in its behalf; however, the term "title insurance agent" does not include officers and salaried employees of a title insurance company;</p>	<p>Editorial changes. Reflects the new license types in AS 21.27.</p>
<p>• Sec. 184. AS 21.66.480(8) is amended to read:</p>	<p>AS 21.66.480(8)</p>	
<p>(8) "title insurance company" means a domestic company organized under the provisions of this title for the purpose of carrying on the business of title insurance, or any foreign title insurance company issued a certificate of authority to transact a title insurance business in this state and any title insurance company having the power and authority to transact a title insurance business within this state [AS OF AUGUST 14, 1974].</p>	<p>(8) "title insurance company" means a domestic company organized under the provisions of this title for the purpose of carrying on the business of title insurance, or any foreign title insurance company issued a certificate of authority to transact a title insurance business in this state and any title insurance company having the power and authority to transact a title insurance business within this state as of August 14, 1974.</p>	<p>Obsolete date reference removed.</p>
<p>• Sec. 185. AS 21.69.390 is amended by adding a new subsection to read:</p>		
<p>(d) To meet the requirements of (a) of this section, a domestic insurer shall keep at its principal place of business in the state the following records of assets, transactions, and affairs:</p>		<p>Specifies the types of records which must be maintained by a domestic insurer in Alaska. Generally these are financial and corporate records and other records required by the director.</p>
<p>(1) a general ledger;</p>		<p>See comments for AS 21.69.390(d) above</p>

Proposed Legislation	Existing Statute	Comments
(2) copies of reports prepared to comply with AS 21.09.200 - 21.09.210;		See comments for AS 21.69.390(d) above
(3) if prepared in the normal course of business, financial statements prepared under general accepted accounting principals on which a licensed certified public accountant has expressed an opinion;		See comments for AS 21.69.390(d) above
(4) filings made by a domestic insurer or affiliates of the domestic insurer with a government agency with which a domestic insurer or affiliates of the domestic insurer's securities may be registered;		See comments for AS 21.69.390(d) above
(5) a state certificate of authority;		See comments for AS 21.69.390(d) above
(6) filings made under AS 21.21;		See comments for AS 21.69.390(d) above
(7) original policy and claim files for insurance of property or a risk resident or located in the state;		See comments for AS 21.69.390(d) above
(8) a corporate minutes book;		See comments for AS 21.69.390(d) above
(9) articles of incorporation;		See comments for AS 21.69.390(d) above
(10) corporate bylaws;		See comments for AS 21.69.390(d) above
(11) contracts entered into under AS 21.12.020, AS 21.18.040, AS 21.21.030(d), AS 21.69.610, and 21.69.620; and		See comments for AS 21.69.390(d) above
(12) other records required by the director by regulation.		See comments for AS 21.69.390(d) above
To be repealed. See Sec. 221	AS 21.75.040(a) In this chapter "attorney" refers to the attorney-in-fact of a reciprocal insurer. The attorney may be an individual, firm or corporation.	Not needed. The term "attorney" has been replaced with "attorney-in-fact" throughout Chapter 75 and references to "power of attorney" has been replaced with "subscribers agreement".

<p>* Sec. 186 AS 21.72.120(c) is amended to read:</p>		
<p>(c) A copy of the annual statement certified by the director must be filed <u>on or</u> before the first day of <del>March</del> [APRIL] each year by the association in the office of the magistrate in the judicial district in which the business office of the association is located.</p>	<p>(c) A copy of the annual statement certified by the director must be filed before the first day of April each year by the association in the office of the magistrate in the judicial district in which the business office of the association is located.</p>	
<p>* Sec. 187. AS 21.75.040(b) is amended to read:</p>	<p>AS 21.75.040(b)</p>	
<p>(b) The <del>attorney-in-fact</del> [ATTORNEY] of a foreign or alien reciprocal insurer, <del>that</del> [WHICH INSURER] is authorized to transact insurance in this state, may not, by virtue of discharge of its duties as the <del>attorney-in-fact</del> [ATTORNEY] with respect to the insurer's transactions in this state, be considered to be doing business in this state within the meaning of a law of this state applying to foreign firms or corporations.</p>	<p>(b) The attorney of a foreign or alien reciprocal insurer, which insurer is authorized to transact insurance in this state, may not, by virtue of discharge of its duties as the attorney with respect to the insurer's transactions in this state, be considered to be doing business in this state within the meaning of a law of this state applying to foreign firms or corporations.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>* Sec. 188. AS 21.75 is amended by adding a new section to read:</p>		
<p>Sec. 21.75.045. LICENSING OF ATTORNEYS-IN-FACT. A person may not act in the capacity of attorney-in-fact for a subscriber regarding a subject that is resident, located, or to be performed in this state or for a reciprocal insurer licensed to do business in this state unless the person is licensed under this chapter. The director may adopt regulations that establish qualifications for being licensed as an attorney-in-fact. The attorney-in-fact for a domestic reciprocal insurer transacting all of its insurance activities on a subject resident, located, and to be performed in this state is exempt from licensing under this title if the attorney-in-fact</p>		<p>Gives the director authority to license attorneys-in-fact and exempting from licensure an attorney-in-fact who is a wholly-owned subsidiary or working for a domestic reciprocal writing business only in Alaska. Language "resident, located or to be performed in this state" added for consistency with the scope of the Title</p>

Proposed Legislation	Existing Statute	Comments
(1) is a wholly-owned subsidiary of the reciprocal; and		See comments for AS 21.75.045 above
(2) does not act as attorney-in-fact for another unaffiliated reciprocal insurer.		See comments for AS 21.75.045 above
* Sec. 189. AS 21.75.060(b) is amended to read:	AS 21.75.060(b) :	
(b) The proposed <u>attorney-in-fact</u> [ATTORNEY] shall fulfill the requirements of and shall execute and file with the director when applying for a certificate of authority, a declaration setting out	(b) The proposed attorney shall fulfill the requirements of and shall execute and file with the director when applying for a certificate of authority, a declaration setting out	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.
(1) the name of the insurer;	(1) the name of the insurer;	No change.
(2) the location of the insurer's principal office, which shall be the same as that of the <u>attorney-in-fact</u> [ATTORNEY] and shall be maintained in this state;	(2) the location of the insurer's principal office, which shall be the same as that of the attorney and shall be maintained in this state;	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.
(3) the kinds of insurance proposed to be transacted;	(3) the kinds of insurance proposed to be transacted;	No change.
(4) the names and addresses of the original subscribers;	(4) the names and addresses of the original subscribers;	No change.
(5) the designation and appointment of the proposed <u>attorney-in-fact</u> [ATTORNEY] and a copy of the power of attorney;	(5) the designation and appointment of the proposed attorney and a copy of the power of attorney;	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.
(6) the names and addresses of the officers and directors of the <u>attorney-in-fact</u> [ATTORNEY], if a corporation, or its members, if a firm;	(6) the names and addresses of the officers and directors of the attorney, if a corporation, or its members, if a firm;	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.
(7) the powers of the subscribers' advisory committee, and the names and terms of office of the members;	(7) the powers of the subscribers' advisory committee, and the names and terms of office of the members;	No change.

Proposed Legislation	Existing Statute	Comments
(8) that all money paid to the reciprocal insurer shall, after deducting any sum payable to the <u>attorney-in-fact</u> [ATTORNEY], be held in the name of the insurer and for the purposes specified in the subscribers' agreement;	(8) that all money paid to the reciprocal insurer shall, after deducting any sum payable to the attorney, be held in the name of the insurer and for the purposes specified in the subscribers' agreement;	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.
(9) a copy of the subscribers' agreement;	(9) a copy of the subscribers' agreement;	No change.
(10) a statement that each of the original subscribers has in good faith applied for insurance of a kind proposed to be transacted, and that the insurer has received from each subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than six months at an adequate rate filed with and approved by the director;	(10) a statement that each of the original subscribers has in good faith applied for insurance of a kind proposed to be transacted, and that the insurer has received from each subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than six months at an adequate rate filed with and approved by the director;	No change.
(11) a statement of the financial condition of the insurer, a schedule of its assets, and a statement that the surplus as required by AS 21.75.050 is on hand;	(11) a statement of the financial condition of the insurer, a schedule of its assets, and a statement that the surplus as required by AS 21.75.050 is on hand;	No change.
(12) a copy of each policy, endorsement, and application form it then proposes to issue or use.	(12) a copy of each policy, endorsement, and application form it then proposes to issue or use.	No change.
* Sec. 190. AS 21.75.060(c) is amended to read:	AS 21.75.060(c)	
(c) The declaration shall be acknowledged by the <u>attorney-in-fact</u> [ATTORNEY] in the manner required for the acknowledgment of deeds.	(c) The declaration shall be acknowledged by the attorney in the manner required for the acknowledgment of deeds.	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.

Proposed Legislation	Existing Statute	Comments
<p>* Sec. 191. AS 21.75.080 is repealed and reenacted to read:</p>	<p>AS 21.75.080</p>	
<p>Sec. 21.75.080. AUTHORITY OF ATTORNEY-IN-FACT. (a) A subscriber's agreement providing for an advisory committee consistent with AS 21.75.170 shall be executed by each subscriber and shall grant authority to the attorney-in-fact to manage the affairs of the reciprocal insurer.</p>	<p>AS21.75.080 POWER OF ATTORNEY. (a) The rights and powers of the attorney of a reciprocal insurer shall be as provided in the power of attorney given it by the subscribers.</p>	<p>This Section repealed the old language regarding the powers of the attorney-in-fact and enacts a new section on the authority of the attorney-in-fact based on NAIC model law language. The subscribers' agreement replaces the power of attorney as the basis of authority for the attorney-in-fact.</p>
<p>(b) The duties of the attorney-in-fact shall be specified in the subscriber's agreement. The agreement shall be approved by the director and amendments shall be approved by the director and the advisory committee. The agreement must, at a minimum, provide that</p>	<p>(b) The power of attorney must set out (1) the powers of the attorney; (3) the general services to be performed by the attorney;</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Provides that the subscriber's agreement be approved by the director and advisory committee and must include several specific items:</p>
<p>(1) the attorney-in-fact shall provide written notice of and make the necessary arrangements for the election, in person or by proxy, of the members of the advisory committee; the cost of notice, ballot, or proxy for a meeting and the cost of a meeting that may be called for an election shall be paid by the reciprocal insurer;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Provides for election of advisory committee.</p>
<p>(2) the attorney-in-fact shall provide written notice to the members of the advisory committee of not less than 10 business days for a regular meeting or a special meeting called under AS 21.75.170(e); the cost of notice shall be paid by the reciprocal insurer;</p>	<p>(2) that the attorney is empowered to accept service of process on behalf of the insurer in actions against the insurer upon contracts exchanged;</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires notice of meetings to all members.</p>
<p>(3) the advisory committee may, upon majority vote of its members at a regular or special meeting or upon written notice of the vote to the director and the attorney-in-fact, recommend termination of the attorney-in-fact for a stated cause and the appointment of a new attorney-in-fact;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Allows advisory committee to call a meeting. advisory committee may recommend termination of the attorney-in-fact.</p>

<p>(4) termination of the attorney-in-fact shall require the approval of a two-thirds majority of the subscribers present in person or by proxy at a meeting called for that purpose; the attorney-in-fact shall provide written notice to all subscribers by certified mail not less than 30 days before the meeting; the notice must include the recommendation of termination and replacement drafted by the advisory committee and other appropriate documents drafted by the attorney-in-fact; a copy of all documents mailed and certification of mailing to all subscribers must be provided to all members of the advisory committee; the cost of notice and proxy for the meeting shall be paid by the reciprocal insurer; at least 25 percent of all subscribers shall constitute a quorum for reciprocal insurers with less than 10,000 subscribers; 2,500 subscribers or five percent of all subscribers, whichever is greater, shall constitute a quorum for all other reciprocals;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Provides procedure for arranging meeting of subscribers to terminate attorney-in-fact and the section provides procedures for voting on termination.</p>
<p>(5) the assets of the reciprocal insurer and its subscribers shall be invested under AS 21.21; investment guidelines shall be approved by the advisory committee and shall be properly accounted for on the financial records of the reciprocal insurer as being held for or on behalf of the subscribers; the cash assets of the reciprocal insurer and its subscribers not otherwise invested in short-term securities, covering policy obligations arising out of policies issued, or issued for delivery in the United States shall be held in one or more appropriately identified accounts in banks that are members of the Federal Reserve System; these accounts shall be drawn on by the attorney-in-fact or by employees or representatives of the reciprocal insurer authorized by the attorney-in-fact for payments on behalf of the reciprocal insurer;</p>	<p>(5) except as to nonassessable policies, a provision for a contingent several liability of each subscriber in a specified amount which amount may not be less than one or more than ten times the premium or premium deposit stated in the policy.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires investment guidelines to be established by the advisory committee for maintenance of assets and proper investment of assets. Requires proper accounting of funds.</p>

Proposed Legislation	Existing Statute	Comments
<p>(6) if the attorney-in-fact is acting for more than one reciprocal insurer, separate records and accounts shall be maintained for each reciprocal;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires separate records for each reciprocal.</p>
<p>(7) the attorney-in-fact may not assign responsibilities detailed in the subscriber's agreement in whole or in part without prior approval of the advisory committee and the director;</p>	<p>(c) The power of attorney may            (1) provide for the right of substitution of the attorney and revocation of the power of attorney and rights thereunder;            (2) impose restrictions upon the exercise of the power which are agreed upon by the subscribers;            (3) provide for the exercise of any right reserved to the subscribers directly or through their advisory committee;            (4) contain other lawful provisions considered advisable.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Provides that assignment of attorney-in-fact responsibilities must have prior approval of advisory committee and director.</p>
<p>(8) the attorney-in-fact shall</p>		
<p>(A) establish and maintain underwriting procedures and manuals that state the rates and conditions for the acceptance or rejection of risks;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires written underwriting guides.</p>
<p>(B) make a report to the advisory committee at each regular meeting of the committee on the financial condition of the reciprocal insurer and all material transactions entered into during the period since the last meeting;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires attorney-in-fact to periodically report to the advisory committee on financial condition of the reciprocal insurer and any material transactions</p>
<p>(C) annually provide to each member of the advisory committee</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>

<p>(i) on or before March 2, a copy of the reciprocal insurer's annual statement and the accompanying statement of actuarial opinion filed with the director under AS 21.75.130; and</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires annual statement, an actuarial opinion, and attorney-in-fact financial statement be provided to the advisory committee.</p>
<p>(ii) on or before June 1, a copy of a statement prepared by an independent certified public accountant addressing the financial condition and solvency of the attorney-in-fact;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>(D) maintain a financially solvent condition;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>(9) the forms, amounts, and formulas of compensation the attorney-in-fact will receive for services rendered are specified;</p>	<p>(b)(4) the maximum amount to be deducted from advance premiums or deposits to be paid to the attorney and the general items of expense in addition to losses, to be paid by the insurer;</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires attorney-in-fact compensation to be clearly disclosed.</p>
<p>(10) the books, accounts, and records of the reciprocal insurer, its subscribers, and the attorney-in-fact are maintained to clearly and accurately disclose the nature and details of each transaction, including all notes, workpapers, documents, and similar material in sufficient detail that relevant events, dates, and persons participating can be identified and information necessary to determine that the compensation received by or owing to the attorney-in-fact conforms to the subscriber's agreement; the books, accounts, and records of the reciprocal insurer are the sole property of the reciprocal insurer;</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires complete records and documentation of all activities.</p>

<p>(11) if the subscriber's agreement provides that any of the attorney-in-fact's compensation is contingent upon the reciprocal insurer's profits, that compensation may not be determined and paid until at least five years after the premiums on casualty insurance are earned, at least one year after the premiums are earned on any other kind of insurance, and not until the adequacy of loss reserves on the remaining claims, known and unknown, have been verified under (8) of this subsection; and</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires that if attorney-in-fact compensation is based on profits, determination of compensation must wait for 5 years if the reciprocal writes casualty insurance or 1 year for any other line of insurance and at least until loss reserves are verified.</p>
<p>(12) the attorney-in-fact shall conduct the affairs of the reciprocal insurer as required under this title.</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>(c) Unless subject to AS 21.22, a material transaction between the reciprocal insurer, its subscribers, the attorney-in-fact, and an affiliate of the attorney-in-fact may not be entered into unless it has been filed with the director of the reciprocal insurer's state of domicile, if accredited by the National Association of Insurance Commissioners, or with the director of this state, if not accredited, at least 30 days before its effective date and the director of the accredited state has not disapproved it; however, a transaction involving five percent or more of admitted assets is subject to prior approval of the director of the reciprocal insurer's state of domicile and the transaction must meet the following standards:</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Requires that material transactions between reciprocals, subscribers, the attorney-in-fact and an affiliate of the attorney-in-fact must be filed with the state of domicile of the reciprocal if accredited by the NAIC or with the director if not accredited 30 days prior to the effective date. If the transaction involves 5% or more of assets the director must preapprove the transaction.</p>
<p>(1) the terms shall be fair and equitable;</p>		<p>See comments for AS 21.75.080(c) above.</p>
<p>(2) charges or fees for services performed shall be reasonable;</p>		<p>See comments for AS 21.75.080(c) above.</p>

<p>(3) expenses incurred and payments received shall be allocated to the reciprocal insurer on an equitable basis in conformity with statutory insurance accounting practices being consistently applied; and</p>		<p>See comments for AS 21.75.080(c) above.</p>
<p>(4) the books, accounts, and records of each party shall be maintained to disclose clearly and accurately the precise nature and details of the transaction, including accounting information that is necessary to support the reasonableness of the charges or fees to the respective parties.</p>		<p>See comments for AS 21.75.080(c) above</p>
	<p>(d) The terms of a power of attorney or collateral agreement shall be reasonable and equitable, and a power or agreement may not be used or be effective as to a domestic reciprocal insurer until approved by the director.</p>	<p>Replaced by specific requirements in subscriber agreement.</p>
<p>(d) A subscriber's agreement containing the duties of the attorney-in-fact shall be provided by the attorney-in-fact to all subscribers. Renewing subscribers shall be informed that their failure to return a signed rejection of the subscriber's agreement within 30 days after the renewal date will be considered acceptance of the subscriber's agreement.</p>		<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Method of approval of subscriber agreement by members. Attorney-in-fact must send a copy of the subscribers agreement to all new subscribers and existing subscribers at policy renewal. If signed rejection is not received in 30 days after renewal the agreement is deemed accepted.</p>
<p>• Sec. 192. AS 21.75.090 is amended to read:</p>	<p>AS 21.75.090</p>	
<p>Sec. 21.75.090. MODIFICATIONS. Modifications of the terms of the subscribers' agreement or of the power of attorney of a domestic reciprocal insurer shall be made jointly by the <u>attorney-in-fact</u> [ATTORNEY] and the subscribers' advisory committee. A modification may not be effective retroactively, or apply to an insurance contract issued before the modification.</p>	<p>Sec. 21.75.090. MODIFICATIONS. Modifications of the terms of the subscribers' agreement or of the power of attorney of a domestic reciprocal insurer shall be made jointly by the attorney and the subscribers' advisory committee. A modification may not be effective retroactively, or apply to an insurance contract issued before the modification.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>

<p>* Sec. 193. AS 21.75.100(a) is amended to read:</p>	AS 21.75.100(a)	
<p>Sec. 21.75.100. <u>ATTORNEY-IN-FACT'S [ATTORNEY'S] BOND.</u> (a) Concurrently with the filing of the declaration provided in AS 21.75.060, the <u>attorney-in-fact [ATTORNEY]</u> of a domestic reciprocal insurer shall file with the director a bond in favor of this state for the benefit of all persons damaged as a result of a breach by the <u>attorney-in-fact [ATTORNEY]</u> of the conditions of the bond as set out in (b) of this section. The bond shall be executed by the <u>attorney-in-fact [ATTORNEY]</u> and by an authorized corporate surety, <u>shall meet the requirements established under AS 21.27.190</u> and shall be subject to the director's approval.</p>	<p>Sec. 21.75.100. ATTORNEY'S BOND. (a) Concurrently with the filing of the declaration provided in AS 21.75.060, the attorney of a domestic reciprocal insurer shall file with the director a bond in favor of this state for the benefit of all persons damaged as a result of a breach by the attorney of the conditions of the bond as set out in (b) of this section. The bond shall be executed by the attorney and by an authorized corporate surety, and shall be subject to the director's approval.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>* Sec. 194. AS 21.75.100(b) is amended to read:</p>	AS 21.75.100(b)	
<p>(b) The bond shall be in the penal sum of <u>\$100,000 [\$25,000]</u>, aggregate in form, conditioned that the <u>attorney-in-fact [ATTORNEY]</u> will faithfully account for all money and other property of the insurer coming into the hands of the <u>attorney-in-fact [ATTORNEY]</u> and that the <u>attorney-in-fact [ATTORNEY]</u> will not withdraw or appropriate to personal use from the funds of the insurer, money or property to which the <u>attorney-in-fact [ATTORNEY]</u> is not entitled under the <u>subscriber's agreement [POWER OF ATTORNEY]</u>.</p>	<p>(b) The bond shall be in the penal sum of \$25,000, aggregate in form, conditioned that the will faithfully account for all money and other property of the insurer coming into the hands of the and that the will not withdraw or appropriate to personal use from the funds of the insurer, money or property to which the is not entitled under the power of attorney.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75. Bond for attorney-in-fact increased from \$25,000 to \$100,000.</p>

<p>* Sec. 195. AS 21.75.100 is amended by adding a new subsection to read:</p>		
<p>(d) The director may require the attorney-in-fact, unless wholly owned by the reciprocal insurer, to maintain an errors and omissions policy issued by an admitted insurer acceptable to the director providing coverage in an amount and issued by an insurer approved by the director. This requirement is satisfied if the attorney-in-fact maintains an errors and omissions policy to satisfy the laws of another state in an amount approved by the director.</p>		<p>New subsection allows director to require the attorney-in-fact to carry an errors and omissions policy.</p>
<p>* Sec. 196. AS 21.75.110 is amended to read:</p>	AS 21.75.110	
<p>Sec. 21.75.110. ACTION ON BOND. Action on the <u>attorney-in-fact's</u> [ATTORNEY'S] bond or to recover against a deposit made in lieu <u>of the bond</u> [THEREOF] may be brought at any time by one or more subscribers suffering loss through a violation of its conditions, or by a receiver or liquidator of the insurer. Amounts recovered on the bond shall be deposited in and become part of the insurer's funds. The total aggregate liability of the surety shall be limited to the amount of the penalty of the bond.</p>	<p>Sec. 21.75.110. ACTION ON BOND. Action on the attorney's bond or to recover against a deposit made in lieu thereof may be brought at any time by one or more subscribers suffering loss through a violation of its conditions, or by a receiver or liquidator of the insurer. Amounts recovered on the bond shall be deposited in and become part of the insurer's funds. The total aggregate liability of the surety shall be limited to the amount of the penalty of the bond.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>

<p>* Sec. 197. AS 21.75 is amended by adding a new section to read:</p>		
<p>Sec. 21.75.115. EXAMINATION OF AN ATTORNEY-IN-FACT. An attorney-in-fact of a reciprocal insurer is subject to examination by order of the director under AS 21.06.120 and 21.06.140 - 21.06.160 for the purpose of determining compliance with this title relating to the operations of the reciprocal insurer or its attorney-in-fact that the director determines cannot be obtained by examination of the reciprocal insurer. The cost of the examination shall be paid by the attorney-in-fact.</p>		<p>New section allows the director to examine the attorney-in-fact to determine compliance with Title 21. Cost of exam will be paid by the attorney-in-fact. This provides a consistent approach throughout the Title.</p>
<p>* Sec. 198. AS 21.75.120(a) is amended to read:</p>	AS 21.75.120(a)	
<p>(a) Legal process shall be served upon a domestic reciprocal insurer by serving the insurer's <u>attorney-in-fact</u> [ATTORNEY] at the principal offices of the <u>attorney-in-fact</u> [ATTORNEY] or by serving the director as the insurer's process agent under AS 21.09.180 and 21.09.190.</p>	<p>(a) Legal process shall be served upon a domestic reciprocal insurer by serving the insurer's attorney at the principal offices of the attorney or by serving the director as the insurer's process agent under AS 21.09.180 and 21.09.190.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>* Sec. 199. AS 21.75.130(a) is amended to read:</p>	AS 21.75.130(a)	
<p>(a) The annual statement of a reciprocal insurer shall be made by its <u>attorney-in-fact</u> [ATTORNEY] and filed with the director, as provided in AS 21.09.200.</p>	<p>(a) The annual statement of a reciprocal insurer shall be made by its attorney and filed with the director, as provided in AS 21.09.200.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>

Proposed Legislation	Existing Statute	Comments
<p>• Sec. 200. AS 21.75.140 is amended to read:</p> <p>Sec. 21.75.140. CONTRIBUTIONS TO INSURER. The <u>attorney-in-fact</u> [ATTORNEY] or other parties may advance to a domestic reciprocal insurer upon reasonable terms the funds it may require from time to time in its operations. Sums advanced may not be treated as a liability of the insurer, and, except upon liquidation of the insurer, may not be withdrawn or repaid except out of the insurer's realized earned surplus in excess of its minimum required surplus. A withdrawal or repayment may not be made without the advance approval of the director. This section does not apply to bank loans or to loans for which security is given.</p>	<p>AS 21.75.140</p> <p>AS 21.75.140. CONTRIBUTIONS TO INSURER. The attorney or other parties may advance to a domestic reciprocal insurer upon reasonable terms the funds it may require from time to time in its operations. Sums advanced may not be treated as a liability of the insurer, and, except upon liquidation of the insurer, may not be withdrawn or repaid except out of the insurer's realized earned surplus in excess of its minimum required surplus. A withdrawal or repayment may not be made without the advance approval of the director. This section does not apply to bank loans or to loans for which security is given.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>• Sec. 201. AS 21.75.150 is amended to read:</p>	<p>AS 21.75.150</p>	
<p>Sec. 21.75.150. <u>DETERMINATION OF FINANCIAL CONDITION</u>. In determining the financial condition of a reciprocal insurer the director shall apply the following rules:</p>	<p>AS 21.75.150. FINANCIAL CONDITION. In determining the financial condition of a reciprocal insurer the director shall apply the following rules:</p>	<p>No change</p>
<p>(1) the same reserves as are required of incorporated insurers issuing nonassessable policies on a reserve basis shall be charged as liabilities;</p>	<p>(1) the same reserves as are required of incorporated insurers issuing nonassessable policies on a reserve basis shall be charged as liabilities;</p>	<p>No change</p>
<p>(2) the surplus deposits of subscribers shall be allowed as assets, except the premium deposits delinquent for 90 days shall first be charged against the surplus deposit;</p>	<p>(2) the surplus deposits of subscribers shall be allowed as assets, except the premium deposits delinquent for 90 days shall first be charged against the surplus deposit;</p>	<p>No change</p>
<p>(3) the surplus deposits of subscribers <u>may</u> [SHALL] not be charged as a liability;</p>	<p>(3) the surplus deposits of subscribers shall not be charged as a liability;</p>	<p>Editorial change.</p>
<p>(4) all premium deposits delinquent less than 90 days shall be allowed as assets;</p>	<p>(4) all premium deposits delinquent less than 90 days shall be allowed as assets;</p>	<p>No change</p>

(5) an assessment levied upon subscribers, and not collected, may not be allowed as an asset;	(5) an assessment levied upon subscribers, and not collected, may not be allowed as an asset;	No change
(6) the contingent liability of subscribers may not be allowed as an asset;	(6) the contingent liability of subscribers may not be allowed as an asset;	No change
(7) the computation of reserves shall be based upon premium deposits other than membership fees and without deductions for expenses and the compensation of the <u>attorney-in-fact</u> [ATTORNEY].	(7) the computation of reserves shall be based upon premium deposits other than membership fees and without deductions for expenses and the compensation of the attorney.	Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.
* Sec. 202. AS 21.75.170 is repealed and reenacted to read:	AS 21.75.170	
Sec. 21.75.170. SUBSCRIBER'S ADVISORY COMMITTEE. (a) The subscriber's advisory committee shall meet at least annually and shall consist of not less than nine individuals elected by the subscribers, at least two-thirds of whom are subscribers or officers or directors of subscriber corporations and, except for a reciprocal insurer that wholly owns its attorney-in-fact, not more than one-third of whom may be	AS21.75.170 SUBSCRIBERS' ADVISORY COMMITTEE. (a) The advisory committee of a domestic reciprocal insurer exercising the subscribers' rights shall be selected under rules which the subscribers adopt.	Provides details of the operation of the subscribers advisory committee such as how many members and who may be members.
(1) the attorney-in-fact or an employee, officer, director, affiliate, or a person having a financial interest in the attorney-in-fact; or	(b) Not less than two-thirds of the committee may be subscribers other than the attorney, or any person employed by, representing, or having a financial interest in the attorney.	See comments for AS 21.75.170(a) above.
(2) a person representing the attorney-in-fact or an employee, officer, director, affiliate, or other person having a financial interest in the attorney-in-fact; a person shall be treated as having a financial interest in the attorney-in-fact if the person		See comments for AS 21.75.170(a) above.
(A) owns, directly or indirectly, more than one percent of the outstanding stock in the attorney-in-fact;		See comments for AS 21.75.170(a) above.

(B) has an outstanding loan from the attorney-in-fact; or		See comments for AS 21.75.170(a) above.
(C) earns a commission or other compensation as a producer for the reciprocal insurer.		See comments for AS 21.75.170(a) above.
(b) A member of the subscriber's advisory committee may be elected and reelected to a term of office of not less than one year nor more than four years. Terms of office may be staggered to provide for continuity.		Provides rules for election of a officers for the subscribers advisory committee.
(c) The chair of the committee shall be elected by the members of the committee and the committee shall adopt rules consistent with the purposes of the committee.		Provides rules for election of a chairperson for the subscribers advisory committee.
(d) The attorney-in-fact shall appoint a secretary.		Allows the attorney-in-fact to appoint a secretary.
(e) Special meetings of the committee may be called by the attorney-in-fact, the chair of the committee, three members of the committee, or a signed petition of at least one percent of the subscribers as of the most recent annual report of the reciprocal insurer.		Provides rules for calling a special meeting of the subscribers advisory committee.
(f) The committee shall	(c) The committee shall	Relocated with no change.
(1) supervise the finances of the reciprocal insurer;	(1) supervise the finances of the insurer;	Relocated with no change.
(2) supervise the reciprocal insurer's operations to assure conformity with the subscriber's agreement;	(2) supervise the insurer's operations to assure conformity with the subscribers' agreement and power of attorney;	Editorial change to reflect revised terminology.
(3) procure the audit of the accounts and records of the reciprocal insurer and of the attorney-in-fact at the expense of the reciprocal insurer; and	(3) procure the audit of the accounts and records of the insurer and of the attorney at the expense of the insurer;	Editorial change to reflect revised terminology.
(4) have additional powers and functions that may be conferred by the subscriber's agreement.	(4) have additional powers and functions which may be conferred by the subscribers' agreement.	Editorial change to reflect revised terminology.

<p>* Sec. 203. AS 21.75.200(a) is amended to read:</p>	<p>AS 21.75.200(a)</p>	
<p>(a) Assessments may from time to time be levied upon subscribers of a domestic reciprocal insurer liable [THEREFOR] under the terms of their policies by the <u>attorney-in-fact</u> [ATTORNEY] upon approval in advance by the subscribers' advisory committee and the director; or by the director in liquidation of the insurer.</p>	<p>(a) Assessments may from time to time be levied upon subscribers of a domestic reciprocal insurer liable therefor under the terms of their policies by the attorney upon approval in advance by the subscribers' advisory committee and the director; or by the director in liquidation of the insurer.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>* Sec. 204. AS 21.75.210 is amended to read:</p>	<p>AS 21.75.210</p>	
<p>Sec. 21.75.210. TIME LIMIT FOR ASSESSMENTS. Δ [EACH] subscriber of a domestic reciprocal insurer having contingent liability is liable for and shall pay the subscriber's share of any assessment, as computed and limited <u>under</u> [IN ACCORDANCE WITH] this chapter, if</p>	<p>Sec. 21.75.210. TIME LIMIT FOR ASSESSMENTS. Each subscriber of a domestic reciprocal insurer having contingent liability is liable for and shall pay the subscriber's share of any assessment, as computed and limited in accordance with this chapter, if</p>	<p>Editorial change.</p>
<p>(1) while the subscriber's policy is in force or within one year after its termination, the subscriber is notified by either the <u>attorney-in-fact</u> [ATTORNEY] or the director of an intention to levy the assessment; [,] or</p>	<p>(1) while the subscriber's policy is in force or within one year after its termination, the subscriber is notified by either the attorney or the director of an intention to levy the assessment, or</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>(2) an order to show cause why a receiver, conservator, rehabilitator, or liquidator of the insurer should not be appointed is issued while the subscriber's policy is in force or within one year after its termination.</p>	<p>(2) an order to show cause why a receiver, conservator, rehabilitator, or liquidator of the insurer should not be appointed is issued while the subscriber's policy is in force or within one year after its termination.</p>	<p>No change.</p>

Proposed Legislation	Existing Statutes	Comments
<p>* Sec. 205. AS 21.75.230(a) is amended to read:</p> <p>(a) If a reciprocal insurer has a surplus of assets over all liabilities at least equal to the minimum capital and surplus required of a domestic stock insurer authorized to transact like kinds of insurance, upon application of the <u>attorney-in-fact</u> [ATTORNEY] and as approved by the subscribers' advisory committee, the director shall issue a certificate authorizing the insurer to extinguish the contingent liability of subscribers under its policies then in force in this state, and to omit provisions imposing contingent liability in all policies delivered or issued for delivery in this state for as long as all the surplus remains unimpaired.</p>	<p>AS 21.75.230(a)</p> <p>(a) If a reciprocal insurer has a surplus of assets over all liabilities at least equal to the minimum capital and surplus required of a domestic stock insurer authorized to transact like kinds of insurance, upon application of the attorney and as approved by the subscribers' advisory committee, the director shall issue a certificate authorizing the insurer to extinguish the contingent liability of subscribers under its policies then in force in this state, and to omit provisions imposing contingent liability in all policies delivered or issued for delivery in this state for as long as all the surplus remains unimpaired.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>
<p>* Sec. 206. AS 21.75.250 is amended to read:</p> <p>Sec. 21.75.250. SUBSCRIBERS' SHARE IN ASSETS. Upon the liquidation of a domestic reciprocal insurer, its assets remaining after discharge of its indebtedness and policy obligations, the return of contributions of the <u>attorney-in-fact</u> [ATTORNEY] or other persons to its surplus made as provided in AS 21.75.140, and the return of an unused premium, savings, or credits then standing on subscribers' account, shall be distributed to its subscribers who were subscribers within the 12 months before the last termination of its certificate of authority, according to a reasonable formula that the director may approve.</p>	<p>AS 21.75.250</p> <p>Sec. 21.75.250. SUBSCRIBERS' SHARE IN ASSETS. Upon the liquidation of a domestic reciprocal insurer, its assets remaining after discharge of its indebtedness and policy obligations, the return of contributions of the attorney or other persons to its surplus made as provided in AS 21.75.140, and the return of an unused premium, savings, or credits then standing on subscribers' account, shall be distributed to its subscribers who were subscribers within the 12 months before the last termination of its certificate of authority, according to a reasonable formula that the director may approve.</p>	<p>Editorial change. The term "attorney-in-fact" is applied consistently throughout the Reciprocal Insurers Chapter, AS 21.75.</p>