

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

7978 HOUSE LABOR & COMMERCE

243

United States Medical Licensure Statistics

Oral Exam or *Possible* Oral Exam

Alabama - Oral exam if not American board certified within 10 year:

California - Oral exam & written exam at board discretion.

Maine - Oral exam. (No further information available.)

Nevada - Oral exam only at board request.

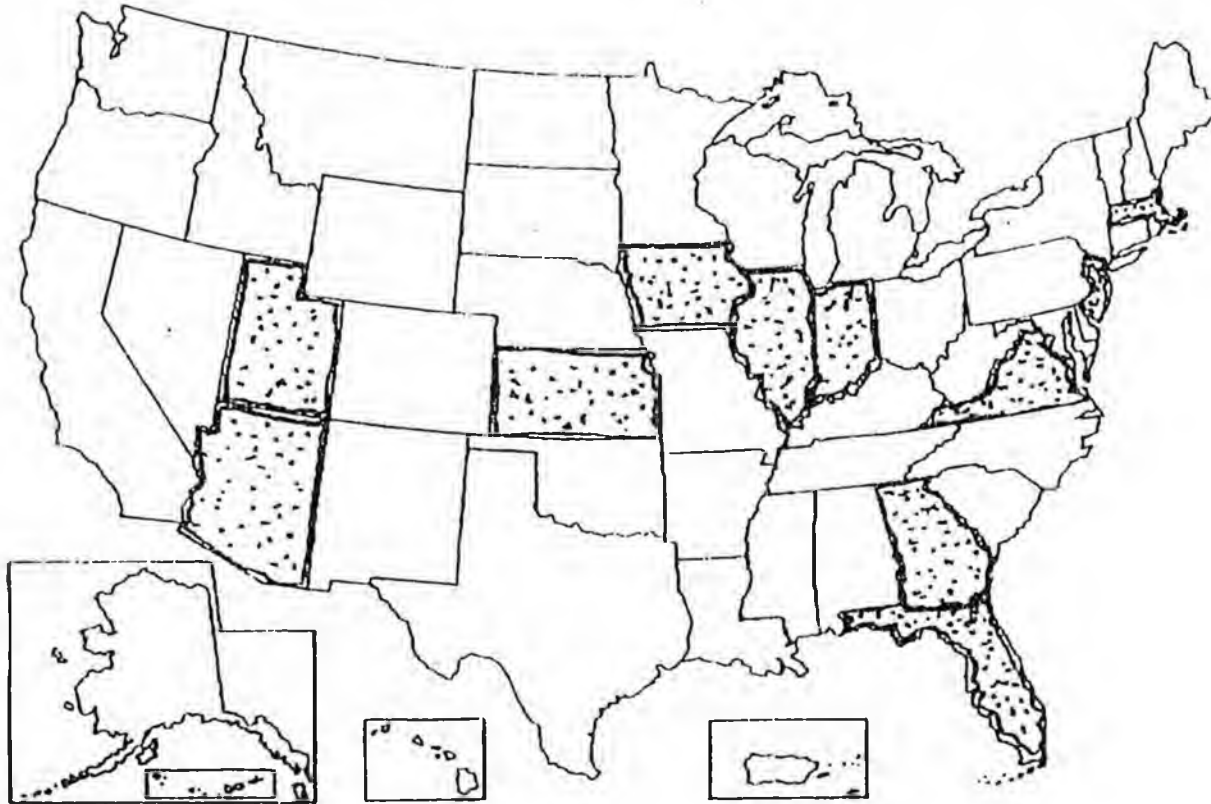
Wisconsin - Oral Exam only at board request.

Option # 3 Propose revision of *12 AAC 4 55* to include ' or a possible oral exam.'



Option # 4

Propose revision of AS Sec. 08.64.255, AS Sec. 08.64.279 and 12 AAC 40.055 to read:  
'Possible interview required.'



United States Medical Licensure Statistics

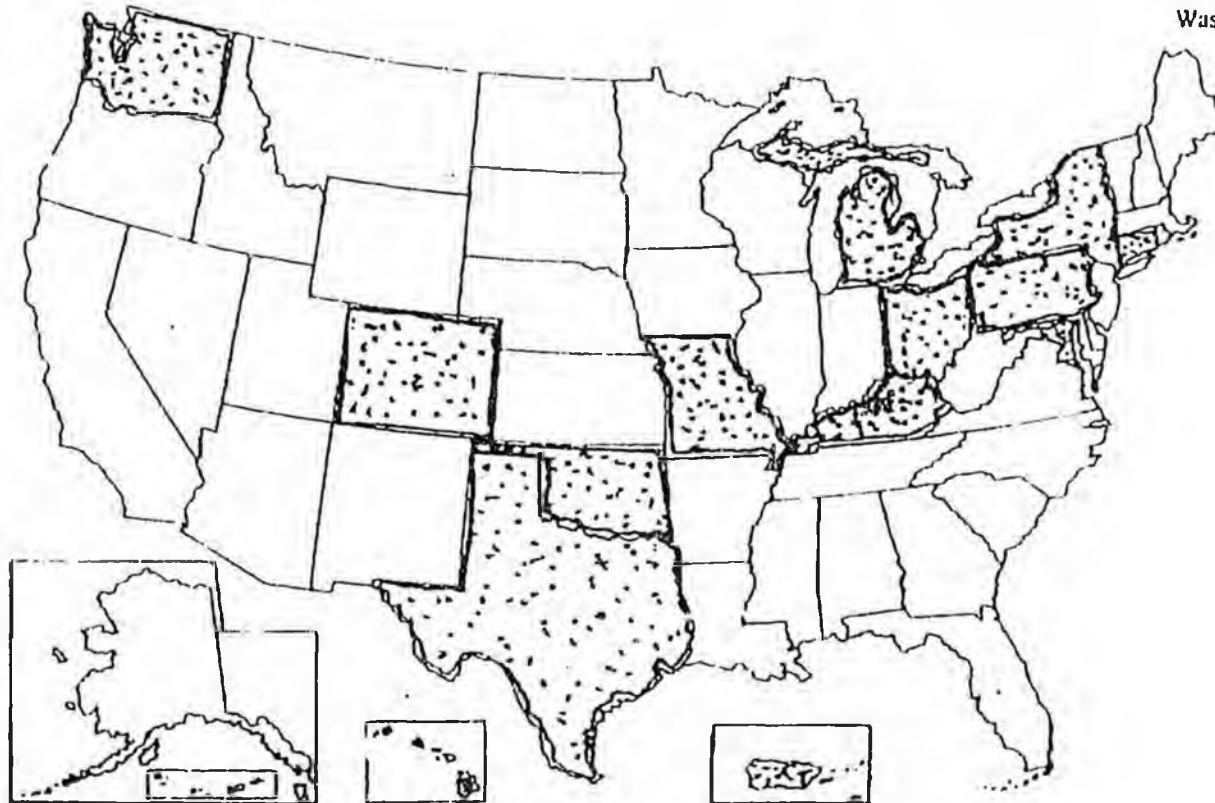
Possible Interview.

- Arizona
- Florida
- Georgia
- Illinois
- Indiana
- Iowa
- Kansas
- Massachusetts
- New Jersey
- Utah
- Virginia

No interview.

- Colorado - Finger prints, notarized passport or birth certifi
- Connecticut
- District of Columbia
- Hawaii
- Kentucky
- Maryland
- Michigan
- Missouri
- New York
- Ohio
- Oklahoma
- Pennsylvania
- Puerto Rico
- Texas
- Washington

Optior # 5      Propose deletion of AS Sec. 08.64.255, AS Sec. 08.64.279 and 12 AAC 40.055.



# A GUIDE TO THE ESSENTIALS OF A MODERN MEDICAL PRACTICE ACT

## SIXTH EDITION

Approved by the Board of Directors of the  
Federation of State Medical Boards of the United States  
February 22, 1991

ISSN 0888-6768

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Federation of State Medical Boards of the United States, Inc.  
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Legislative  
Non-Profit  
Legislative  
Non-Profit  
Legislative  
Non-Profit

## SECTION V

### REQUIREMENTS FOR FULL LICENSURE

The medical practice act should provide minimum requirements for full licensure for the independent practice of medicine that bear a reasonable relationship to the qualifications and fitness necessary for such practice. These provisions of the act should implement or be consistent with the following Federation recommendations.

A. The applicant should provide the Board and attest to the following information and documentation in a manner required by the Board:

1. his or her full name and all aliases or other names ever used, current address, social security number, and date and place of birth;
2. a recent signed photograph, a set of fingerprints of the applicant, and a sample of handwriting;
3. originals of all documents and credentials required by the Board, or notarized photocopies or other verification acceptable to the Board of such documents and credentials;
4. a list of all jurisdictions, United States or foreign, in which the applicant is licensed or has applied for licensure to practice medicine or is authorized or has applied for authorization to practice medicine;
5. a list of all jurisdictions, United States or foreign, in which the applicant has been denied licensure or authorization to practice medicine or has voluntarily surrendered a license or an authorization to practice medicine;
6. a list of all sanctions, judgments, awards, settlements, or convictions against the applicant in any jurisdiction, United States or foreign, that would constitute grounds for disciplinary action under the medical practice act or the Board's rules and regulations;
7. a detailed educational history, including places, institutions, dates, and program descriptions, of all his or her education beginning with secondary schooling and including all college, pre-professional, professional, and professional graduate education;
8. a detailed chronological life history, including places and dates of residence, employment, and military service (United States or foreign);
9. any other information or documentation the Board determines is necessary.

B. The applicant should possess the degree of Doctor of Medicine or Osteopathy from a medical college or school located in the United States, its territories or possessions, or Canada that was approved by the Board or by a private non-profit accrediting body approved by the Board at the time the degree was conferred. No person who graduated from a medical school that was not so approved at the time of graduation should be examined for licensure or be licensed in the jurisdiction based on credentials or documentation from that school nor should such a person be licensed by endorsement.

C. The applicant should have satisfactorily completed at least twenty-four (24) months of progressive graduate medical training approved by the Board or by a private non-profit accrediting body approved by the Board in an institution in the United States, its territories or possessions, or Canada approved by the Board or by a private non-profit accrediting body approved by the Board.

D. The applicant should have passed medical licensing examination(s) satisfactory to the Board.

E. The applicant should have demonstrated a familiarity with the statutes and regulations of the jurisdiction relating to the practice of medicine and the appropriate use of controlled or dangerous substances.

F. The applicant should be physically, mentally, and professionally capable of practicing medicine in a manner acceptable to the Board and should be required to submit to a physical, mental, or professional competency examination or a drug dependency evaluation if deemed necessary by the Board.

G. The applicant should not have been found guilty by a competent authority, United States or foreign, of any conduct that would constitute grounds for disciplinary action under the regulations of the Board or the act. The Board should be authorized, at its discretion, to modify this restriction for cause, but it should be directed to use

such discretionary authority in a consistent manner.

H. The applicant should make a personal appearance before the Board or a representative thereof for interview, examination, or review of credentials. At the discretion of the Board, the applicant should be required to present his or her original medical education credentials for inspection at the time of personal appearance.

I. The applicant should be held responsible for verifying to the satisfaction of the Board the validity of all credentials required for his or her medical licensure. The Board should review and verify medical credentials and screen applicant records through recognized national physician information services (eg, the Board Action Data Bank of the Federation of State Medical Boards, the files of the American Medical Association and the American Osteopathic Association, and other national data banks and information resources).

J. The applicant should have paid all fees and have completed and attested to the accuracy of all application and information forms required by the Board.

H B

5 0 9

(7)

Date Referred: February 18, 1994

FURTHER REFERRALS:

State Affairs  
Finance

Date of Committee Action: 3/17/94

The LABOR AND COMMERCE Committee considered:

HB 509

HOUSE BILL NO. 509

INCREASE MOTOR FUEL TAX

"An Act relating to the tax on transfers or consumption of motor fuel, and to the proceeds from the tax; and providing for an effective date."

RECOMMENDATIONS:

be replaced with CS HB 509 (L+C)  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact Revenue

fiscal note(s) \_\_\_\_\_

zero fiscal note DEC, DOT/PE

zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
		Brian D. Porter		✓	
		Joe Sittler	✓		
		Edna Reed		✓	
		W.K. Williams		✓	
		Bill Hudson		✓	

*Bill Hudson*  
CHAIRMAN'S SIGNATURE

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. HB 509

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Increase motor fuel tax BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: (H) Rules by Request of the Governor  
 Requestor: (H) L&C COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
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REVENUE FUND SOURCE: General	82,246.0	82,246.0	82,246.0	82,246.0	82,246.0	82,246.0
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)  
  
(See Attached)

Prepared by: Larry E. Meyers *Larry E. Meyers* Phone: 465-2320  
 Division: Income and Excise Audit Division Date: February 28, 1994  
 Approved by Commissioner: Darrel J. Rexwinkel *Darrel J. Rexwinkel* Date: February 28, 1994  
 Agency: Department of Revenue

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HB 509  
Increase Motor Fuel Tax  
February 28, 1994  
Page 2 of 2

### **Bill Analysis**

Sections 1 and 2 of this bill increase the highway motor fuel tax rate by 17 cents per gallon from the existing 8 cents to 25 cents. Aviation fuel and fuel used in watercraft would remain at their current rates.

One cent of the 25-cent tax would be deposited into a special "storage tank assistance" account in the general fund as provided under section 4 of the bill.

This bill takes effect July 1, 1994.

### **Operating Costs**

Department of Revenue does not anticipate any additional costs for implementing this bill. The Department would update existing forms to reflect the increased tax rate.

### **Revenue**

In determining the amount of additional revenue generated from this bill, Department of Revenue used motor fuel data from returns filed in FY 93. Amounts below do not reflect impacts on fuel usage, if any, due to increased tax rates and other factors.

Department of Revenue estimates that each cent increase in the highway motor fuel tax rate yields \$4,838,000 in additional revenues. Accordingly, a 17-cent increase would yield \$82,246,000 (17 x \$4,838,000). Of this amount, \$4,838,000 would be deposited into a special "storage tank assistance" account in the general fund as provided under section 4 of the bill.

# GOVERNOR HICKEL'S EXCISE TAX BILL (SB 269 & HB 413)

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Governor Hickel's proposed legislation increases taxes on alcohol and tobacco products. The Governor recognizes that price and availability has a direct impact on consumption of alcohol and tobacco products by youth and adults.

Inflation has significantly reduced the effective rate of tax on alcohol by approximately 28% since 1983. Since demand for a commodity increases when the relative price decreases, an unanticipated consequence of these relatively low tax rates set 10 years ago is to encourage consumption of alcohol.

National and State Health Goals call for decreased consumption of alcohol and tobacco. Goals also call for a reduction in youth using these products and increasing the age of first use. Increasing the tax is a major element in achieving these goals.

The benefits of increasing the tobacco tax will most immediately be seen in the drop in consumption by youth and in the decrease in the number of youth who begin to use tobacco products. Only a very small percentage of tobacco users begin as adults. Reducing the initiation of youth to tobacco use is the most important prevention objective of health professionals.

Youth are also particularly effected by the price of alcohol. It is estimated that even modest price increases could decrease drinking among young people as much as raising the drinking age by one year.

Decreased consumption will result in a decrease in alcohol and tobacco related problems as well as decrease future State expenditures that will be needed to alleviate those problems and at the same time raise State revenues.

Alcoholic beverages and tobacco products are not considered necessities and are not worthy of exemption from taxation. Excise taxes on alcohol affect all drinkers and tobacco users in direct proportion to the amount they drink and use. Rather than a tax, this can be considered a user fee. For those who do not drink alcohol, approximately 36 percent of adults, or use tobacco products, approximately 72 percent of adults, this increase in taxes would have no effect.

This bill would increase the rates at which these products are currently taxed and would raise essential additional revenue for the state.

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 455-3500

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 28, 1994

*The Honorable Ramona Barnes  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182*

*Dear Speaker Barnes:*

*Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to increase the excise tax rate on alcoholic beverages and cigarettes and other tobacco products.*

*This bill is one of four relatively modest revenue proposals I am offering this session to help offset the large revenue shortfalls the state is facing in fiscal year 1995 and in the years to follow. In addition to providing \$15 million annually in increased revenues, enactment of this bill into law may help reduce the consumption of tobacco and alcohol, resulting in long-term public health benefits, increased public safety, and medical care cost savings.*

*Tobacco use is the number one cause of preventable death and disease in America, accounting for some 400,000 deaths per year. Alcohol is the number three cause of preventable death and disease at 100,000 deaths per year. The social costs of tobacco and alcohol in Alaska in terms of mortality and morbidity are staggering. The most recent estimates made by the Department of Health and Social Services of the impact of smoking in Alaska concluded that 22 percent of deaths of persons 35 years of age and older in 1989 were attributable to smoking. During the same year, the direct health cost of smoking was estimated at \$34.1 million, while indirect mortality and morbidity costs associated with smoking amounted to another \$49.1 million. Compare public health costs of this magnitude to fiscal year 93 tobacco products revenues of \$16.9 million and it is apparent that taxes only recover a fraction of the social costs of consumption of tobacco products.*

*Compared to other states, Alaska has especially large problems with alcohol and drug abuse, which also engender enormous social costs. According to a recent*

The Honorable Ramona Barnes  
January 28, 1994  
Page 2


Department of Health and Social Services study, the direct social costs of alcohol and drug use in Alaska in 1993 amounted to \$238 million, while total economic costs reached \$611 million. During the same year, alcoholic beverage excise tax revenue amounted to \$12 million. As with use of tobacco products, the alcohol drinking habits of younger consumers are highly sensitive to price increases and it is the 12 - 21 age segment of the population that this bill will benefit most.

The last increase in the Alaska tobacco products excise tax was in 1989. Inflation has since eroded much of the dampening effect that the increase had on consumption. According to the National Cancer Institute, "to maintain the health effect of the tobacco excise tax, it must be increased regularly." The excise tax on alcoholic beverages was last increased (by about 40 percent) in 1983. Following the increase in alcohol taxes, per capita consumption showed a profound decrease from about 4.1 gallons per year to a low of 3.3 gallons in 1991. Now it appears that per capita consumption is again on the rise. The Department of Health and Social Services sees increased alcoholic beverage taxes as an important strategy for achieving its Healthy Alaskans 2000 objective of reducing Alaska's per capita consumption rate to the national average level (currently 2.46 gallons per year) by the end of the decade.

The Department of Revenue estimates that the proposed increases in excise taxes in this bill will generate an additional \$15 million in general fund revenue.

I think most legislators will agree that taxing the use of harmful substances like alcohol and tobacco to discourage consumption and recover social costs borne by the general public is one area of government regulation where state intervention in the marketplace can make a difference in the health and well being of its citizens. I urge your support of this bill.

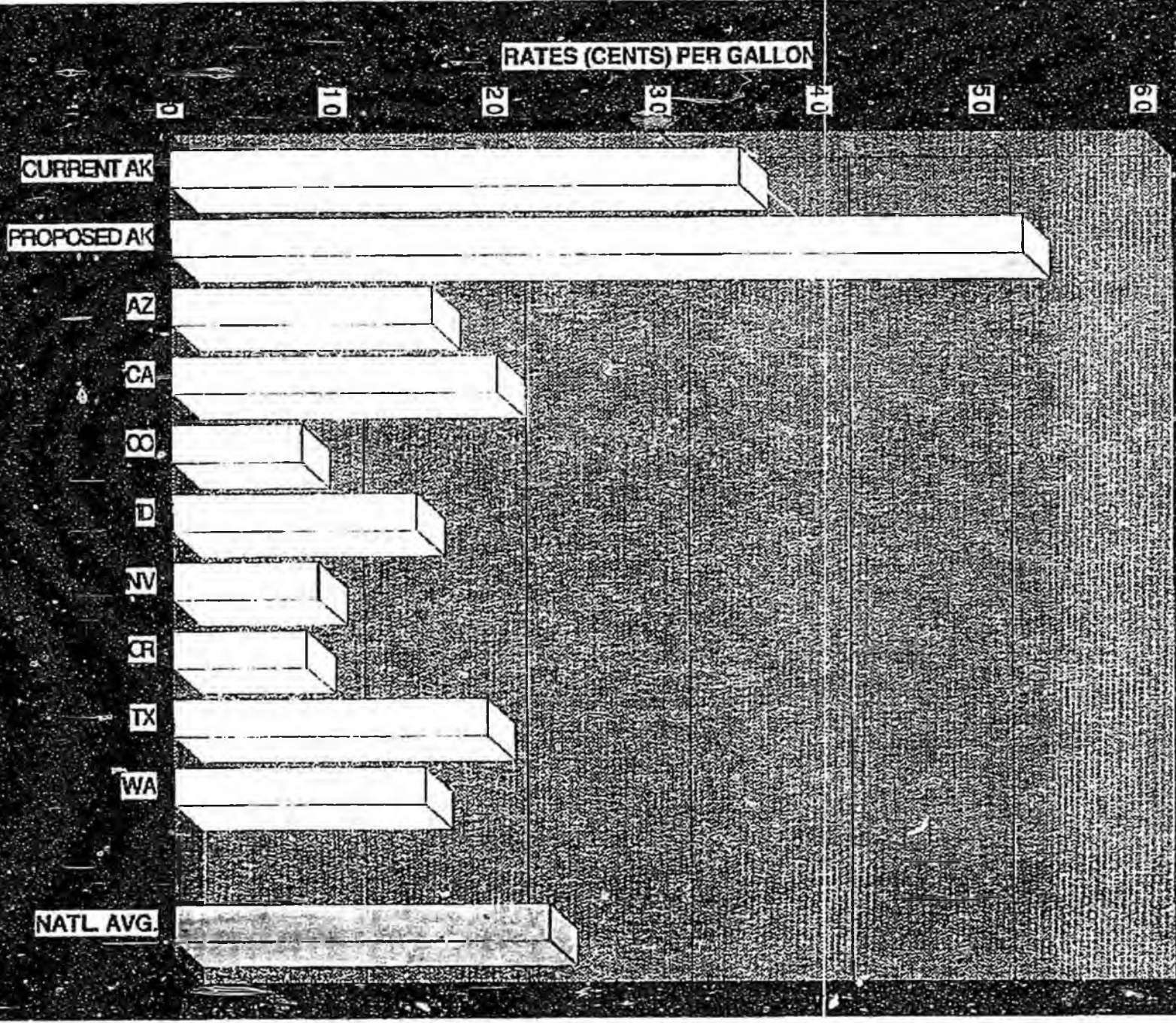
Sincerely,



Walter J. Hickel  
Governor

# ALASKA'S BEER EXCISE TAX

PACKAGED BEER: State Excise Tax Rate Comparison



35¢ 52.5¢

20¢

Alaska Department of Revenue  
Income and Excise Audit Division  
**OPERATIONS ANNUAL REPORT**  
For the Fiscal Year Ended June 30, 1993

**Table 14**  
**Tax Rates**

***Motor Fuel***

Fuel Type	Tax Rate Per Gallon
Highway	8¢
Marine	5¢
Aviation Gas	4¢
Aviation (Jet) Fuel	2.5¢

***Alcoholic Beverages***

Alcohol Type	Tax Rate Per Gallon
Liquor	\$5.60
Wine	\$.85
Beer	\$.35

***Tobacco***

Cigarette	14.5 Mills/Cigarette (29¢/Pack)
Wholesale Tobacco	25% of Wholesale Price
2.5 of the 14.5 mills or 17.24% of cigarette tax revenues are dedicated to School Fund under AS 43.50.140.	

***Mining License***

MNI at Least	Less Than	Tax Is	Plus	On
-0-	\$40,000	-0-	.....	.....
\$40,000	\$50,000	-0-	3%	\$40,000
\$50,000	\$100,000	\$1,500	5%	\$50,000
\$100,000	.....	\$4,000	7%	\$100,000

\* *Mining Net Income* Note: New mining operations are exempt from the mining license tax for 3 1/2 years after production begins (not applicable for sand and gravel).

Alaska Department of Revenue  
Income and Excise Audit Division  
**OPERATIONS ANNUAL REPORT**  
For the Fiscal Year Ended June 30, 1993

**Table 15**  
**State and Federal Highway Gasoline Tax Rates**  
**As of October 1, 1993**

State	Tax Rate (¢ per gallon)	Last Change	State	Tax Rate (¢ per gallon)	Last Change
Alabama	16.0	6/1/92	Montana	20.0	7/1/87
Alaska	8.0	5/28/70	Nebraska	24.6	7/1/92
Arizona	18.0	7/1/90	Nevada	22.25	10/1/91
Arkansas	18.5	4/1/91	New Hampshire	18.0	6/16/91
California	17.0	1/1/92	New Jersey	10.5	7/1/88
Colorado	22.0	1/1/91	New Mexico	16.0	7/10/90
Connecticut	29.0	7/1/93	New York	8.0	1/1/92
Delaware	19.0	1/1/91	North Carolina	22.3	7/1/92
District of Columbia	20.0	10/1/92	North Dakota	17.0	7/1/89
Florida	4.0	1/1/92	Ohio	22.0	7/1/93
Georgia	7.5	7/1/71	Oklahoma	17.0	7/1/89
Hawaii	16.0	7/1/91	Oregon	24.0	1/1/92
Idaho	22.0	4/1/91	Pennsylvania	12.0	9/1/91
Illinois	19.0	1/1/90	Rhode Island	26.0	4/1/8
Indiana	15.0	4/1/88	South Carolina	16.0	1/1/89
Iowa	20.0	1/1/89	South Dakota	18.0	4/1/88
Kansas	18.0	7/1/92	Tennessee	21.0	4/1/89
Kentucky	15.0	4/9/90	Texas	20.0	10/1/91
Louisiana	20.0	1/1/90	Utah	19.0	4/1/87
Maine	19.0	7/1/93	Vermont	15.0	7/1/89
Maryland	23.5	5/1/92	Virginia	17.7	7/1/89
Massachusetts	21.0	1/1/91	Washington	23.0	4/1/91
Michigan	15.0	1/1/84	West Virginia	15.5	4/1/89
Minnesota	20.0	5/1/88	Wisconsin	22.2	4/1/91
Mississippi	18.0	7/1/90	Wyoming	9.0	7/1/89
Missouri	13.0	4/1/90			
<b>Federal Rate</b>	<b>18.4</b>	<b>10/1/93</b>	<b>All States Average</b>	<b>17.8</b>	<b>N/A</b>

# FISCAL NOTE

No. 1  
 Bill Version: HB 413  
 (H) Publish Date: 1/28/94

**STATE OF ALASKA  
 1994 LEGISLATIVE SESSION**

**BILL NO**

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An act increasing excise taxes on cigarettes, tobacco products, BRU: Revenue Operations  
and alcoholic beverages Component: Income and Excise Audit  
 Sponsor: Governor  
 Requestor: Governor COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE: General	14,998.8	14,998.8	14,998.8	14,998.8	14,998.8	14,998.8
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

**ANALYSIS:** (Attach a separate page if necessary.)  
 (See Attached)

Prepared by: Larry E. Meyers Phone: 465-2320  
 Division: Director Date: January 3, 1994  
 Approved by Commissioner: Darrel J. Rexwinkel Date: January 3, 1994  
 Agency: Department of Revenue

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This bill would increase excise tax rates effective July 1, 1994 as follows.

	<i>Current Tax Rate</i>	<i>Draft Bill Tax Rate</i>	<i>% Increase</i>
Cigarettes	14.5 mills (29¢/pack)	21.75 (43.5¢/pack)	50%
Tobacco	25% Wholesale Price	50% Wholesale Price	100%
Liquor	\$5.60/gallon	\$8.40/gallon	50%
Wine	\$.85/gallon	\$1.275/gallon	50%
Beer	\$.35/gallon	\$.52.5/gallon	50%

In determining the amount of additional revenues generated from this bill, the Department of Revenue used consumption data available from FY 93. The amounts below do not reflect impacts on consumption, if any, due to increased tax rates and other factors. The additional revenue generated from this bill is estimated to be \$14,998,800 calculated as follows.

	<i>FY93 Consumption</i>	<i>FY 93 Revenue</i>	<i>Draft Bill Revenue</i>	<i>Additional Revenue</i>
Cigarettes	1,079,500,000	\$15,652,800	\$23,479,200	\$7,826,400
Tobacco	\$4,896,000 Sales	1,224,000	2,448,000	1,224,000
Liquor	1,100,000 gallons	6,160,000	9,240,000	3,080,000
Wine	1,288,000 gallons	1,094,800	1,642,200	547,400
Beer	13,263,000 gallons	4,642,000	6,963,000	2,321,000
<b>Total</b>		<b>\$28,773,600</b>	<b>\$43,772,400</b>	<b>\$14,998,800</b>

# **NFIB** Alaska

National Federation of  
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS  
(NFIB/ALASKA)

OPPOSING

HB 509 INCREASING THE TAX ON MOTOR FUEL

9159 Skywood Lane  
Juneau, AK 99801



The Guardian of  
Small Business

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA. I AM HERE TODAY IN OPPOSITION TO HB 509.

NFIB/ALASKA IS COMPRISED OF 4,400 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. WE THEN SHARE THE RESULTS OF OUR POLL WITH THE LEGISLATURE AND ADMINISTRATION. THERE IS NOT ENOUGH SPACE ON THE ANNUAL POLL TO PLACE EVERY POSSIBLE ISSUE BEFORE OUR MEMBERS. THEREFORE, WE ALSO USE THE PREVIOUS YEARS BALLOT RESULTS AS GUIDANCE ON ISSUES.

THE 1993 SURVEY OF NFIB/ALASKA MEMBERS FOUND OVERWHELMING SUPPORT - 92 PERCENT - TO REDUCE STATE GOVERNMENT SPENDING BEFORE INCREASING PRESENT TAXES. NFIB/ALASKA OPPOSES HB 509 BECAUSE THE LACK OF REVENUE IS NOT THE REAL ISSUE, EXPENDITURES ARE THE ISSUE. THE STATE OF ALASKA IS SPENDING BEYOND ITS MEANS. THERE IS NO WAY TO BALANCE THE BUDGET WITHOUT REDUCING GOVERNMENT SPENDING.

I OFFER THE FOLLOWING SUGGESTION FOR HELPING TO REDUCE THE OPERATING BUDGET - PROHIBIT OR REDUCE THE COMMERCIAL ACTIVITIES OPERATED BY STATE AND LOCAL AGENCIES. SMALL BUSINESSES, IN ALASKA, FACE COMPETITION FROM STATE AND LOCAL GOVERNMENT IN A WIDE VARIETY OF COMMERCIAL AREAS. THE MANY SMALL BUSINESSES FACING GOVERNMENT COMPETITION ARE:

- PRINTING FIRMS
- GIFT SHOPS
- VIDEOTAPE OUTLETS

- DAY-CARE CENTERS
- SERVICE STATIONS
- LANDSCAPING
- ROAD REPAIR AND MAINTENANCE
- LABORATORIES
- MEDICAL CARE PROVIDERS
- PHARMACIES
- ARCHITECTURE AND ENGINEERING FIRMS
- OFFICE FURNITURE
- AUTO BODY REPAIR

GETTING GOVERNMENT OUT OF BUSINESS WOULD GO A LONG WAY TO BRING THE SIZE AND COST OF STATE AND LOCAL GOVERNMENT DOWN TO REASONABLE AND AFFORDABLE LEVELS - WITHOUT RAISING TAXES.

NFIB/ALASKA THANKS YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS, I WILL TRY TO ANSWER THEM.

TESTIMONY ON SENATE TAX INCREASE ON BEER BILL

THANK YOU MR. CHAIRMAN.

MY NAME IS ~~WESLEY T. TUCKER~~ AND I REPRESENT ANHEUSER-BUSCH COMPANIES.

ANHEUSER-BUSCH IS PROUD OF ITS LEADERSHIP ROLE IN PROMOTING RESPONSIBLE USE OF IT PRODUCTS. OUR "KNOW WHEN TO SAY WHEN" EDUCATIONAL ADVERTISING CAMPAIGN HAS BEEN EFFECTIVE. WE HAVE BEEN STRONG SUPPORTERS OF THE "DESIGNATED DRIVER CAMPAIGN". WE WERE THE FIRST MAJOR BREWER TO PRODUCE A "NON-ALCOHOLIC" MALT BEVERAGE, O'DOUL'S, AND SPEND MILLIONS ON ITS PROMOTION AS A NON-INTOXICATING ALTERNATIVE TO BEER.

ANHEUSER-BUSCH NOT ONLY DISCOURAGES ABUSE OF ITS PRODUCTS BY ADULTS BUT HAS INITIATED PROGRAMS IN OUR SCHOOLS AND COLLEGES TO DISCOURAGE UNDER-AGE CONSUMPTION OF ALL ALCOHOL AND PROVIDE ALTERNATIVES TO THE USE OF INTOXICATING BEVERAGES.

WE OPPOSE A TAX INCREASE ON BEER.

IN ALASKA BEER IS ALREADY TAXED, AT A RATE, NEARLY 50% HIGHER THAN THE NATIONAL AVERAGE. AS RECENTLY AS 1991 THE FEDERAL GOVERNMENT INCREASED THE TAX ON BEER DRINKERS .BY 100%, FROM \$9.00 TO \$18.00 PER BARREL.

A 50% INCREASE IN THE TAX ON BEER THAT THIS LEGISLATION PROPOSES WILL NOT TRANSLATE TO AN INCREASE OF 50% IN TAXES COLLECTED. IF THE FEDERAL EXPERIENCE IS AN INDICATION. ~~WHEN THE FED'S INCREASED THE TAX BY 100% THE REVENUE ONLY INCREASED BY 74%~~

THOSE OPPOSED TO THE CONSUMPTION OF ANY BEER WILL TELL YOU THAT IS A GOOD THING. NOT SO. PRICE INCREASES DISCOURAGE THE RESPONSIBLE DRINKER, MOSTLY IN THE MIDDLE AND LOWER INCOME GROUPS. WHILE STUDIES HAVE SHOWN THAT BEER IS NOT THE BEVERAGE OF CHOICE OF THE VAST MAJORITY OF ALCOHOLICS, THEY HAVE SHOWN THAT A PRICE INCREASE OF THIS MAGNITUDE IS NOT A DETERRENT TO THEIR ABUSE. THE VAST MAJORITY OF BEER IS CONSUMED BY RESPONSIBLE USERS.

AS MORE AND MORE STUDIES CONFIRM THE HEALTH BENEFITS OF THE DAILY CONSUMPTION OF MODERATE AMOUNTS ALCOHOLIC BEVERAGES,

IT DOES NOT SEEM APPROPRIATE TO DISCOURAGE THE USE OF  
MODERATE AMOUNTS OF BEER.

A TAX ON THE WHOLESALE PRICE OF BEER WILL BE TRANSFERRED TO  
THE RETAIL PURCHASER. THE ULTIMATE TAX PAYER WILL BE THE BEER  
DRINKERS OF ALASKA. WE DO NOT OBJECT TO PAYING TAXES BUT FEEL  
THAT THE CURRENT TAX, ALREADY FAR HIGHER THAN THE AVERAGE OF  
THE NATION, COMBINED WITH THE RECENT INCREASE IN FEDERAL TAXES  
OF 100% IS A MORE THAN ADEQUATE TAX ON THE BEER DRINKERS OF  
ALASKA.

THANK YOU

**Department of Transportation and Public Facilities**  
**Summary of Highways and Aviation Maintenance and Operations Components**

		FY93 Actuals	FY94 Auth'd	FY95 Request
Central Maint & Ops Highways & Aviation	General Funds	26,832.6	26,798.9	
	Other Funds	517.4	620.6	
	Total	27,350.0	27,419.5	
Interior Maint & Ops Highways & Aviation	General Funds	15,992.6	16,044.3	
	Other Funds	673.6	639.4	
	Total	16,666.2	16,683.7	
Interior Maint & Ops Dalton Hwys & Aviation	General Funds	5,642.0	6,188.4	
	Other Funds	0.0	50.0	
	Total	5,642.0	6,238.4	
Western Maint & Ops Highways & Aviation	General Funds	4,106.9	4,176.9	
	Other Funds	49.6	0.0	
	Total	4,156.5	4,176.9	
Southcentral Maint & Ops Highways & Aviation	General Funds	7,834.1	7,892.2	
	Other Funds	168.1	78.3	
	Total	8,002.2	7,970.5	
Southeast Maint & Ops Highways & Aviation	General Funds	8,365.8	8,405.7	
	Other Funds	297.9	50.5	
	Total	8,663.7	8,456.2	
Statewide Maint & Ops Highways & Aviation	General Funds			74,330.2
	Other Funds			1,565.8
	Total			75,896.0
<b>Total Hwys &amp; Aviation</b>	<b>General Funds</b>	<b>68,774.0</b>	<b>69,506.4</b>	<b>74,330.2</b>
	<b>Other Funds</b>	<b>1,706.6</b>	<b>1,438.8</b>	<b>1,565.8</b>
	<b>Total</b>	<b>70,480.6</b>	<b>70,945.2</b>	<b>75,896.0</b>

Note: "General Funds" includes both general funds and general fund program receipts.

CHAPTER 167

AN ACT APPROPRIATING FROM THE GENERAL FUND, FROM SPECIAL ACCOUNTS IN THE GENERAL FUND, FROM FEDERAL TRANSITIONAL GRANTS IN THE GENERAL FUND, AND FROM SPECIAL FUNDS OF THE STATE FOR OPERATING AND CAPITAL EXPENSES BEGINNING JULY 1, 1962; AND PROVIDING FOR AN EFFECTIVE DATE.

(C.S.H.B. 317)

Be it enacted by the Legislature of the State of Alaska:

Section 1. The sum of \$69,432,198 is appropriated from the following state funds for the period beginning July 1, 1962, to be apportioned according to the schedules in Secs. 2, 3, and 4 of this Act:

General Fund	\$56,217,314
Federal Transitional Grants	2,407,000
Highway Fuel Tax Account	4,187,600
Equipment Working Capital Fund	1,329,218
Aviation Fuel Tax Account	1,164,000
Fish and Game Fund	704,741
Watercraft Fuel Tax Account	572,366
Cigarette Tax Fund	217,500
World War II Veterans Revolving Fund	123,070
Public Employees' Retirement Fund	41,602
Teachers' Retirement Fund	32,355
Oil and Gas Conservation Fund	60,000
Radio-Telephone Fund	12,000
Agricultural Revolving Loan Fund	21,904
Social Security Administration Fund	6,915
Sick and Disabled Fishermen's Fund	10,732
Boiler Fund	6,500
Second Injury Fund	9,664
International Airport Revenue Fund	2,307,717

Sec. 2. The following appropriations are made for operating expenditures for the fiscal year beginning July 1, 1962, and ending June 30, 1963:

Office of the Governor	
(Total: \$1,357,024)	
General Administration	\$ 179,870
Governor's Mansion	31,635
Western Interstate Commission for Higher Education	38,200
Council of State Governments	2,500
Contingency Fund	65,000

Division of Civil Defense	
Personal Services	\$ 30,950
Travel	4,200
Contractual Services	9,867
Commodities	2,150
Equipment	835

Total, Division of Civil Defense	\$ 48,002
Total, Department of Public Safety— from General Fund	\$ 1,733,607

Department of Public Works

(Total: \$5,514,876)

General Administration	
Personal Services	\$ 280,662
Travel	13,340
Contractual Services	67,371
Commodities	7,780
Equipment	1,493

Total, General Administration — from General Fund	\$ 370,646
------------------------------------------------------	------------

Division of Aviation	
Administration and Operation	
Personal Services	\$ 103,670
Travel	11,000
Contractual Services	156,000
Commodities	12,500
Equipment	3,000

Total, Administration and Oper- ation	\$ 286,170
Central Accounting	\$ 14,508
Construction and Engineering Branch	
Personal Services	\$ 119,945
Travel	5,100
Contractual Services	23,865
Commodities	3,500
Equipment	1,500
Program Design	50,000

Total, Construction and Engineer- ing Branch	\$ 203,910
Total, Division of Aviation—from Avi- ation Fuel Tax Account	\$ 504,588

Department of Highways

(Total: \$7,475,728)

Program Administration	\$ 2,300,031
Field Testing Equipment	102,660
Highway Maintenance	5,073,037

Total, Department of Highways:	
From Highway Fuel Tax Account	\$ 4,187,600
From General Fund	3,288,128

Department of Economic Development and Planning

(Total: \$455,540)

Personal Services	\$ 163,870
Travel	19,935
Contractual Services	258,245
Commodities	10,900
Equipment	2,590

Total, Department of Economic De- velopment and Planning—from Gen- eral Fund	\$ 455,540
------------------------------------------------------------------------------------	------------

University of Alaska

(Total: \$3,300,810)

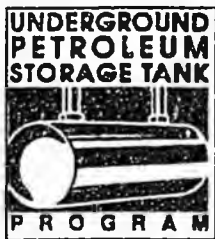
Academic Services	\$ 2,500,249
Community Colleges	130,848
Agricultural Extension Service	140,000
Agricultural Experiment Stations	185,000
Geophysical Institute	200,648
Institute of Marine Sciences	138,650
Institute for Research in Business, Economics and Government	5,415

Total, University of Alaska—from Gen- eral Fund	\$ 3,300,810
----------------------------------------------------	--------------

State Judiciary

(Total: \$1,652,664)

Supreme Court	\$ 293,908
Superior Court	655,480
Magistrate Courts	555,698
Public Law Libraries	25,632
Judicial Council	5,000
Kodiak Facility Rental	5,928



# Board of Storage Tank Assistance

410 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801  
(907) 465-5219  
FAX (907) 465-5218

Walter J. Hickel, Governor

## POSITION PAPER

**IN SUPPORT OF:** House Bill 509 (HB 509)

**SUBJECT:** "An Act relating to the tax on transfers or consumption of motor fuel, and to the proceeds from the tax; and providing for an effective date."

### The Board of Storage Tank Assistance supports House Bill 509

*Sections 1-3:* The State of Alaska currently has one of the lowest highway motor fuel tax rates in the nation while continuing to have some of the highest operational and maintenance costs. Raising the current tax rate will bring this long standing disparity closer together and further reduce the overall demand on the State's General Fund. This motor fuel tax is a true "user fee" and should be supported as such.

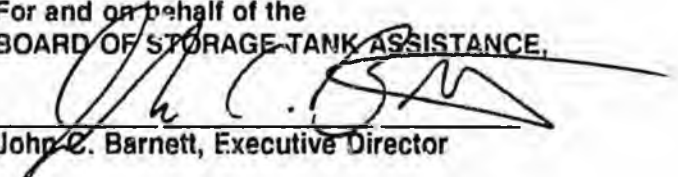
*Section 4:* The State underground storage tank program was implemented to assist owners and operators determine the extent and subsequently clean up contamination resulting from underground petroleum storage tanks (UST's), to close out their tanks properly if necessary and to upgrade existing tanks to new EPA performance standards that will prevent future leaks. Most of the regulated tanks in Alaska are motor fuel tanks and as such are subject to the current highway motor fuel tax rate. Reserving one-cent for the Storage Tank Assistance Fund will generate sufficient funds to complete the goals mandated by the original enabling legislation in 1990.

Maintaining the Storage Tank Assistance Fund will further protect drinking water supplies for the State of Alaska and reduce further demands on the Spill Response Fund. Many of the facilities affected by the EPA requirements that are currently awaiting funding are in the outlying areas of the State, on the Alaska Highway, remote lodges, rural community airstrips and fishing villages. Although protecting drinking water supplies in urban areas such as Anchorage and Fairbanks is critical, maintaining essential fuel services for the State is undeniably an important consideration for stable, economic growth, tourism and access.

At the present time the grant requests far exceed the available funds. Concerns for continued appropriations from the general fund have prompted a need for identifying an alternative funding source for this program. The state underground petroleum storage tank program is based on providing technical, educational, and financial assistance to Alaska's underground tank owners. It is imperative that a secure funding source be in place to address the intent and purpose of this program. House Bill 509 provides assurance that the original intent and purpose of the Storage Tank Assistance Fund will be realized.

Dated: 2.28-94

For and on behalf of the  
BOARD OF STORAGE TANK ASSISTANCE,

  
John C. Barnett, Executive Director

# Municipality of Anchorage



P.O. BOX 196650  
ANCHORAGE, ALASKA 99519-6650  
TELEPHONE: (907) 343-4431  
FAX: (907) 343-4091

Tom Fink, Mayor

OFFICE OF THE MAYOR

March 1, 1994

The Honorable Bill Hudson, Chairman  
House Labor and Commerce Committee  
Alaska State Capitol  
Juneau, Alaska 99801

*Bill*  
Dear Representative Hudson,

In regard to HB 509; relating to a motor vehicle fuel tax, the Administration does not support the proposed legislation to implement a motor vehicle fuel tax.

With respect to responding to declining revenues, it is my Administration's opinion that more can and should be done in these times of declining revenue before imposing new and/or higher taxes on the citizens of Alaska.

Further, HB 509 as drafted seems to be extremely unfair to Anchorage. In the proposed legislation's current form, it is not specified how the money will be distributed from this special highway fuel tax. From the current language, it seems that the amount of money that the citizens of Anchorage will contribute to the account will be disproportionate to the amount of money it will receive for new road construction, road maintenance and repair. It would only seem equitable that since a majority of the tax will be collected within the Municipality of Anchorage, that the city receive a proportionate amount for these services.

Sincerely,

*Tom Fink*  
Tom Fink  
Mayor

**HOUSE BILL 509  
MOTOR FUEL TAX INCREASE  
INFORMATION SHEET**

This Administration believes that it is desirable to have users pay, at least in part, for highway construction and maintenance. The purpose of HB 509 is to generate a motor fuel tax sufficient to balance transportation maintenance and operating costs and revenues.

This strategy is partially based on public opinion polls that showed support for a motor fuel tax increase only if the motor fuel tax was to be used for transportation maintenance and operations.

The declining crude oil prices now make it imperative that additional sources of revenue be developed immediately.

In 1993, total appropriations for highways from the general fund approximated \$114 million distributed as follows:

Direct DOT&PF maintenance and operations (M&O)	\$56,200,000
Deferred maintenance and non-federal projects	8,600,000
Administration and construction oversight	10,800,000
Revenue Sharing for Roads	<u>6,500,000</u>
SUB-TOTAL	\$82,100,000
State Match for Federal Aid Highway Funds	<u>32,000,000</u>
<b>TOTAL GENERAL FUND FOR HIGHWAYS</b>	<b>\$114,100,000</b>

At present, the major revenue source that comes into the general fund to support these activities is the state tax on motor fuel. Currently, our eight cents per gallon motor fuel tax yields \$28 million per annum; leaving an \$85 million imbalance between general fund costs of maintaining, operating and constructing the highways and the revenues derived from users through the motor fuel tax program.

The average state gas tax nationwide is 20 cents (\$0.20), varying from eight cents (\$0.08) in Alaska and Georgia to 28 cents (\$0.28) in Connecticut. There are seven states at the 20 cent (\$0.20) average; four at 21 cents (\$0.21); four at 22 cents (\$0.22); two at 23 cents (\$0.23); and three at 24 cents (\$0.24). Nebraska is at 25 cents (\$0.25); Rhode Island is at 26 cents (\$0.26) and Connecticut is at 28 cents (\$0.28).

House Bill 509 proposes to increase the motor fuel tax in Alaska from eight cents (\$0.08) per gallon (set 33 years ago, in 1961) to 25 cents (\$0.25) per gallon. The proposal would allocate one cent (\$0.01) per gallon to be deposited in the special storage tank assistance account in the general fund. The remaining 24 cents (\$0.24) per gallon would be deposited in the motor fuel tax account of the general fund, yielding an estimated \$109 million per annum for maintenance, operations and state matching funds for highways. This proposed 24 cent (\$0.24) tax nearly closes the gap between revenues and expenditures (\$114 million in costs vs \$109 million in revenues.)

➤ It should be noted the actual dollar amount spent for highway maintenance and operations in FY 1993 was almost the same as was spent in FY 1983; \$56 million vs \$56 million. However, based upon the Consumer Price Index, it would require \$76 million in 1993 dollars to equal the value of \$56 million in 1983. (CPI 1983 to 1993 = 135.7%)

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 18, 1994

*The Honorable Ramona L. Barnes  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182*

*Dear Speaker Barnes:*

*Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill raising the tax rate on transfers or consumption of motor fuel. The bill would bring our tax rate more in line with that of other states and raise much-needed revenue for highway maintenance. Additionally, the bill would make certain changes regarding the proceeds from the tax.*

*Alaska is one of only three states with motor fuel tax rates of less than 10 cents per gallon (Georgia, seven and one-half cents; Alaska, eight cents; and Wyoming, nine cents). The mean national tax rate on motor fuel is 18.66 cents. The tax rates in other western states on motor fuel are: Washington, 23 cents; Oregon, 24 cents; Idaho, 21 cents; Colorado, 22 cents; California, 17 cents; and Nevada, 24 cents.*

*The bill would raise the motor fuel tax rate for most fuels to 25 cents per gallon. Aviation fuel and fuel used in and on watercraft would remain at their current rates as set by statute.*

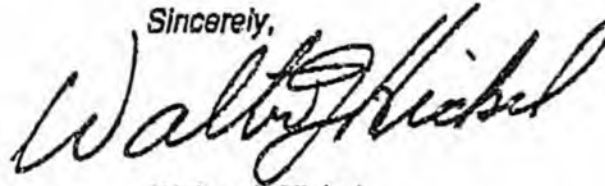
*One cent of the 25-cent tax would go into a special "storage tank assistance" account in the general fund, added by sec. 4 of the bill. The legislature may appropriate from this account into the storage tank assistance fund established by AS 46.03.410. That fund provides grants, testing, and site analysis to owners and operators of underground petroleum storage tanks.*

*The Honorable Ramona Barnes  
February 18, 1994  
Page 2*

*Currently, anyone who uses motor fuel, other than aviation fuel or fuel for watercraft, in any engine other than a motor vehicle licensed for the public highways is entitled to a refund of six cents of the existing eight-cent tax. The refund would remain at the current statutory rate of six cents.*

*I urge your prompt consideration and passage of this important bill.*

*Sincerely,*

A handwritten signature in cursive script, reading "Walter J. Hickel". The signature is written in black ink and is positioned above the printed name and title.

*Walter J. Hickel  
Governor*

# FISCAL NOTE

No. 1  
 Bill Version: HB 509  
 (H) Publish Date: 2/18/94

**STATE OF ALASKA**  
**1994 LEGISLATIVE SESSION**

**BILL NO.**

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Increase motor fuel tax rate BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: ( ) Rules by Request of the Governor  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
REVENUE FUND SOURCE: General	82,246.0	82,246.0	82,246.0	82,246.0	82,246.0	82,246.0

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)  
 (See Attached)

Prepared by: Larry E. Mevers Phone: 465-2320  
 Division: Income and Excise Audit Division Date: February 14, 1994  
 Approved by Commissioner: Darrel J. Rexwinkel Date: February 14, 1994  
 Agency: Department of Revenue

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Draft - February 11, 1994  
Increase Motor Fuel Tax Rate  
Page 2 of 2

### **Bill Analysis**

Sections 1 and 2 of this bill increases the motor fuel tax on highway fuel by 17 cents per gallon from the existing 8 cents to 25 cents. Aviation fuel and fuel used in watercraft would remain at their current rates.

One cent of the 25-cent tax would be deposited into a special "storage tank assistance" account in the general fund under section 4 of the bill.

This bill takes effect July 1, 1994.

### **Operating Costs**

Department of Revenue does not anticipate any additional costs for implementing this bill. The Department would update existing forms to reflect the increased tax rate.

### **Revenue**

In determining the amount of additional revenue generated from this bill, the Department of Revenue used motor fuel revenue data available from FY 93. The amounts below do not reflect impacts on fuel usage, if any, due to increased tax rates and other factors.

Department of Revenue estimates that each cent increase in the highway motor fuel tax rate yields \$4,838,000 in additional revenues. Accordingly, a 17-cent increase would yield \$82,246,000. Of this amount, \$4,838,000 would be deposited into a special "storage tank assistance" account in the general fund as provided under section 4 of the bill.

# FISCAL NOTE

No. 2  
 Bill Version: HB 509  
 (H) Publish Date: 2/18/94

STATE OF ALASKA  
**94 LEGISLATIVE SESSION**

BILL .

Revision Date: \_\_\_\_\_  
 Title: Fuel Tax Increase  
 Sponsor: \_\_\_\_\_  
 Requestor: Governor's Office

Department Affected: Environmental Conservation  
 BRU: Spill Prevention and Response  
 Component: Underground Storage Tank

COMPONENT SERIAL NO. 1207

Expenditures/Revenues:	(Thousands of Dollars)					
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
<b>OPERATING EXPENDITURES</b>						
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

FUND SOURCE						
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
3 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipt	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTLA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY94) cost: \$ \_\_\_\_\_

POSITIONS:						
	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared by: Bob Poe, Director  
 Division: Information & Administrative Services

Phone: 465-5010  
 Date: 2/14/94

Approved by Commissioner: [Signature]  
 Agency: Department of Environmental Conservation

Date: 2/14/94

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## FISCAL NOTE

Revision Date:  
Title: Fuel Tax Increase

Department Affected: DOT&PF  
BRU:

Sponsor: Governor  
Requestor:

Component:  
Component Serial Number:

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE FUND SOURCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**FUNDING: (Thousands of Dollars)**

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL FUNDING:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY94) impact: \$ \_\_\_\_\_

**ANALYSIS: (Attach a separate page if necessary)**

Prepared by: Roger Allington, Director

Phone: 465-4070

Division: Planning

Date: February 15, 1994

Approved by Commissioner: *B.A. Campbell*  
for B.A. Campbell

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: February 16, 1994

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Alaska Department of Revenue  
Income and Excise Audit Division  
**OPERATIONS ANNUAL REPORT**  
For the Fiscal Year Ended June 30, 1993

**Table 14**  
**Tax Rates**

***Motor Fuel***

Fuel Type	Tax Rate Per Gallon
Highway	8¢
Marine	5¢
Aviation Gas	4¢
Aviation (Jet) Fuel	2.5¢

***Alcoholic Beverages***

Alcohol Type	Tax Rate Per Gallon
Liquor	\$5.60
Wine	\$.85
Beer	\$.35

***Tobacco***

Cigarette	14.5 Mills/Cigarette (29¢/Pack)
Wholesale Tobacco	25% of Wholesale Price
2.5 of the 14.5 mills or 17.24% of cigarette tax revenues are dedicated to School Fund under AS 43.50.140.	

***Mining License***

MNI at Least	Less Than	Tax Is	Plus	Over
-0-	\$40,000	-0-	.....	.....
\$40,000	\$50,000	-0-	3%	\$40,000
\$50,000	\$100,000	\$1,500	5%	\$50,000
\$100,000	.....	\$4,000	7%	\$100,000
* Mining Net Income Note: New mining operations are exempt from the mining license tax for 3½ years after production begins (not applicable for sand and gravel).				

Alaska Department of Revenue  
Income and Excise Audit Division  
**OPERATIONS ANNUAL REPORT**  
For the Fiscal Year Ended June 30, 1993

**Table 15**  
**State and Federal Highway Gasoline Tax Rates**  
**As of October 1, 1993**

State	Tax Rate (\$ per gallon)	Last Change	State	Tax Rate (\$ per gallon)	Last Change
Alabama	16.0	6/1/92	Montana	20.0	7/1/87
Alaska	8.0	5/28/70	Nebraska	24.6	7/1/92
Arizona	18.0	7/1/90	Nevada	22.25	10/1/91
Arkansas	18.5	4/1/91	New Hampshire	18.0	6/16/91
California	17.0	1/1/92	New Jersey	10.5	7/1/88
Colorado	22.0	1/1/91	New Mexico	16.0	7/10/90
Connecticut	29.0	7/1/93	New York	8.0	1/1/92
Delaware	19.0	1/1/91	North Carolina	22.3	7/1/92
District of Columbia	20.0	10/1/92	North Dakota	17.0	7/1/89
Florida	4.0	1/1/92	Ohio	22.0	7/1/93
Georgia	7.5	7/1/71	Oklahoma	17.0	7/1/89
Hawaii	16.0	7/1/91	Oregon	24.0	1/1/92
Idaho	22.0	4/1/91	Pennsylvania	12.0	9/1/91
Illinois	19.0	1/1/90	Rhode Island	26.0	4/1/91
Indiana	15.0	4/1/88	South Carolina	16.0	1/1/89
Iowa	20.0	1/1/89	South Dakota	18.0	4/1/88
Kansas	18.0	7/1/92	Tennessee	21.0	4/1/89
Kentucky	15.0	4/9/90	Texas	20.0	10/1/91
Louisiana	20.0	1/1/90	Utah	19.0	4/1/87
Maine	19.0	7/1/93	Vermont	15.0	7/1/89
Maryland	23.5	5/1/92	Virginia	17.7	7/1/89
Massachusetts	21.0	1/1/91	Washington	23.0	4/1/91
Michigan	15.0	1/1/84	West Virginia	15.5	4/1/89
Minnesota	20.0	5/1/88	Wisconsin	22.2	4/1/91
Mississippi	18.0	7/1/90	Wyoming	9.0	7/1/89
Missouri	13.0	4/1/90			
<b>Federal Rate</b>	<b>18.4</b>	<b>10/1/93</b>	<b>All States Average</b>	<b>17.8</b>	<b>N/A</b>

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## INSURANCE LEGISLATION OF 1994

AN ACT RELATING TO RISK BASED CAPITAL FOR INSURERS AND PROVIDING FOR AN EFFECTIVE DATE.

Sectional Analysis by the  
Department of Commerce and Economic Development  
Division of Insurance

### **RISK BASED CAPITAL**

Risk based capital is an amount of capital and surplus calculated by an insurer using a formula derived by the National Association of Insurance Commissioners (NAIC), that will be used for determining whether regulatory action is needed and if regulatory action is needed, of what type. All insurers will use the same formula to calculate their risk based capital levels but the actual levels resulting from the formula will vary by insurer based upon the risks associated with that insurer's operations. For life and health insurers, the formula for risk based capital incorporates risks associated with the insurer's assets, adverse mortality and morbidity, changes in interest rates, and other business risks. For property and casualty insurers, the formula incorporates asset or default risk, credit risk, underwriting risk, and other business risks. The formula uses asset, reserve, reinsurance, and premium amounts in the insurer's annual financial statement to calculate a level of risk based capital called the "authorized control level risk based capital." Three other risk based capital levels are determined by applying percentages to the "authorized control level risk based capital": 200% for a "company action level risk based capital", 150% for a "regulatory action level risk based capital" and a factor of 70% for a "mandatory control level risk based capital." Depending on where an insurer's actual capital and surplus falls within these different risk based capital levels, the director will take the actions outlined in the proposed legislation.

Unlike current Alaska law that requires insurers to maintain a single minimum amount of capital and surplus that is identical for each class of insurer, requiring each insurer to calculate and report its risk based capital to the director will:

1. Require insurers to take actions that would provide greater safety from insolvency, thereby providing greater protection to consumers.
2. Provide guidance and assistance to regulators in identifying weak insurers.
3. Provide the legal authority for the director to intervene before insolvency occurs or before an insurer's capital and surplus falls below a level appropriate for that insurer.

Risk based capital will more accurately reflect an insurer's solvency. Alaskan insurers fair well under this proposed risk based capital legislation and currently have capital and surplus levels higher than the amount indicated in the risk based capital formula.

This proposed risk based capital legislation is based on the NAIC risk based capital model law that has been adopted as a minimum standard for state accreditation under the NAIC Accreditation Program. The NAIC Accreditation Program establishes minimum standards of regulation through adoption of statutes and procedures. State accreditation is granted by the NAIC after on-site review verifying that these minimum standards are met. The Alaska Division of Insurance received its accreditation in December 1992 and is committed to maintaining the standards of the NAIC Accreditation Program.

SECTION 1. AS 21.14.010. Risk Based Capital Reports. This section requires most domestic insurers to file a risk based capital report with the director and establishes the time frame for submitting the report and the required form. This section provides for a possible exemption from filing a risk based capital report if the insurer meets certain conditions.

SECTION 1. AS 21.14.020. Company Action Level Event. This section describes the conditions under which an insurer reaches a company action level event and requires the insurer to submit to the director a comprehensive financial plan for corrective action.

SECTION 1. AS 21.14.030. Regulatory Action Level Event. This section describes the conditions under which an insurer reaches a regulatory action level event and requires the director to:

- 1) require the insurer to submit a comprehensive financial plan for corrective action;
- 2) perform whatever review of the insurer's assets, liabilities, and operations the director considers necessary; and
- 3) issue a corrective order specifying the action the insurer is required to take to that will increase their capital and surplus to an acceptable level.

SECTION 1. AS 21.14.040. Authorized Control Level Event. This section describes the conditions under which an insurer reaches an authorized control level event and requires the director to take the actions described under AS 21.14.030 or to take action to place the insurer under regulatory control if the director considers it to be in the best interests of the policyholders, creditors, and public.

SECTION 1. AS 21.14.050. Mandatory Control Level Event. This section describes the condition under which an insurer reaches a mandatory control level event and requires the director to take action to place the insurer under regulatory control.

SECTION 1. AS 21.14.060. Risk Based Capital Plan. This section describes the required content of, and states the time frame for submitting, the comprehensive financial plan required to be filed with the director when an insurer reaches a company action level event as described in AS 21.14.020, a regulatory action level event as described in AS 21.14.030, or an authorized control level event as described in AS 21.14.040.

SECTION 1. AS 21.14.070. Foreign Insurers. This section describes the risk based capital requirements for insurers not domiciled in Alaska (foreign insurers). Foreign insurers are

required to file a risk based capital report or plan only upon written request from the director. The director may require foreign insurers to stop writing new insurance business in Alaska if they do not file a risk based capital plan as requested by the director or if they reach a mandatory control level event.

SECTION 1. AS 21.14.080. Hearings. This section gives an insurer the right to challenge an action of the director under this chapter by requesting a hearing.

SECTION 1. AS 21.14.090. Confidentiality and Prohibition on Announcements; Prohibition on Use in Rate-making. This section restricts the use of risk based capital to solvency regulation only and explicitly prohibits the director from using it in determining premium rates or rate of return levels. This section also prohibits the director from making an insurer's risk based capital public without prior written consent of the insurer.

SECTION 1. AS 21.14.100. Penalty for Violation. This section states the penalty an insurer must pay to the division of insurance if the insurer fails to file a risk based capital report and/or plan with the director as required.

SECTION 1. AS 21.14.110. Definitions. This section defines the risk based capital terms used in this chapter.

SECTION 2. AS 21.90.900. Definitions. Amendment adds new definitions for "life and health insurer" and "property and casualty insurer".

SECTION 2. AS 21.78.040 (a). Grounds for Rehabilitation. Amendment to add authorized control level event and mandatory control level event to the list of conditions under which the director may apply to the court for an order appointing the director as receiver of and directing the director to rehabilitate a domestic insurer.

SECTION 4. Effective Date. This specifies that the effective date of this legislation will be on January 1, 1995.

FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. HB 514

Revision Date: \_\_\_\_\_  
Title: Risk Based Capital for Insurers

Department Affected: Commerce and Economic Development  
BRU: Insurance  
Component: Operations

Sponsor: House L&C  
Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 354

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer  
Division: Insurance

Phone: 465-2597  
Date: 3/1/94

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

Date: 3/3/94

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# HOUSE COMMITTEE REPORT

(7)  
Date Referred: March 18, 1994

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 4/07/94  
The LABOR AND COMMERCE Committee considered:

HB 534

HOUSE BILL NO. 534

OMNIBUS INSURANCE REFORM

"An Act relating to insurance, to the licensing, accreditation, examination, regulation, and solvency of persons engaged in the insurance business, including insurers, nonadmitted insurers, purchasing groups, risk retention groups, and United States branches of alien insurers; relating to the management of and the filing of reports by persons licensed or otherwise doing business under the insurance code; amending Alaska Rule of Civil Procedure 45; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with CSHB 534(L+C)  the same title  
[ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

[ ] no recommendations

individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[ ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

zero fiscal note Commerce

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Brian's Porter</i>	<input checked="" type="checkbox"/>	<i>Joe Sutton</i>		<input checked="" type="checkbox"/>	
<i>Tom Williams</i>	<input checked="" type="checkbox"/>	<i>W.K. Williams</i>		<input checked="" type="checkbox"/>	
<i>Bill Hudson</i>	<input checked="" type="checkbox"/>				

*Bill Hudson*  
\_\_\_\_\_  
CHAIRMAN'S SIGNATURE

DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

P.O. BOX 110805  
JUNEAU, ALASKA 99811-0805  
PHONE (907) 465-2515

March 11, 1994

The Honorable Bill Hudson  
Alaska House of Representatives  
House Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Hudson:

Re: Your March 7, 1994 Letter

Thank you for your March 7, 1994 letter and the enclosure of the memorandum prepared by Mike Ford of the Division of Legal Services.

The Alaska Independent Insurance Agents and Brokers Association has for several years requested that the division implement continuing education requirements to assure that licensees remain qualified and to improve the professionalism of Alaska's insurance producers. The proposed addition of AS 21.27.020(f) is intended to accomplish that purpose.

I believe that both the substantive and procedural limitations already in statute provide appropriate legislative guidance to the director. In particular, the educational requirements under AS 21.27.020 are to effectuate the legislatively established public policy to prevent incompetent persons from being licensed and the affirmative requirement that applicants and licensees are and remain knowledgeable about a licensee's duties and responsibilities as a licensee and remains up-to-date on the laws and regulations in this state. The Legislature, having established this public policy for the protection of the people of this state, allows the director the authority through the regulatory promulgation process to secure public input to assure that the educational requirements conform to the qualifications as established by the Legislature.

As the insurance industry has increasingly sought to upgrade its professional image, and as new and innovative educational programs have become available, many states have adopted continuing education programs. A major complaint of insurance producers nationally has been the lack of consistency among such requirements, and in the administration of such requirements. The National Association of Insurance Commissioners is in the process of coordinating activities by various states to assure the quality of such educational programs and the efficient administration of the programs.

For these reasons, the dynamics of continuing education will continue to reflect evolution, especially as technology radically revises the way regulatory activities in licensure are conducted. Adoption of regulations, and revisions to regulations, provide both due process and a more flexible means of meeting the needs of the insurance industry--all to provide for the protection of the people of this state.

Believing that the Legislature has given clear guidance and established appropriate limits on the authority of the director, I would be concerned that any attempt to be more specific would require the industry and the division to repeatedly return to the Legislature for statutory changes in order to keep up with industry needs.

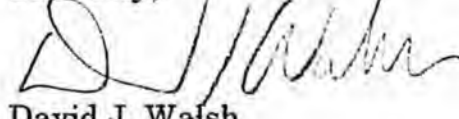
In regard to discretionary testing for persons with limited licenses (issued under AS 21.27.150; or persons licensed by the division within the prior two years or a person moving to Alaska who was previously licensed in another state), I do not believe there has been a delegation of legislative authority. Insurance statutes, regulatory oversight, and licensing requirements vary from state to state. To the extent possible, not all persons should be required to test or retest to secure a license in this state. Since the quality of regulation in a particular state may improve or decline, some of the enumerated applicants should be tested in order to affirm that they are competent as to their duties and responsibilities and in regard to the insurance laws and regulations of this state. The Legislature has established the clear policy for the protection of the people of this state, and are giving flexibility to the director as administrator of that policy.

In addition, some limited licensees under AS 21.27.150 such as a retired insurance producers clearly do not need to be tested. Other professionals with limited licenses were previously subject to examination and members of the industry have advised the division that they feel that testing is important for the professionalism of their limited speciality (title and bail bonds). Other limited licensees may in the future need examinations in order to sustain the professionalism that industry desires.

The division and industry did not intend to request overly-broad grants of administrative discretion to implement the clear public policies already expressed in statute by the Legislature. These two provisions were contained in our 1992 legislation and passed through many committees with wide spread support until, for reasons never made clear, they were removed at the last minute, at a time when neither the division nor the many legislators who had worked so closely with us knew of or had an opportunity to address the change.

I appreciate the opportunity to address the matters brought to your attention by Mike Ford. Should you have any further questions, please contact me.

Sincerely,



David J. Walsh  
Director

DW/lvs648t  
031094b

**DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

**MEMORANDUM**

March 2, 1994

**SUBJECT:** Licensing requirements for insurance agents, brokers and managers (Work Order No. 8-LS1766\A)

**TO:** Representative Bill Hudson

**FROM:** Michael F. Ford *M.F.*  
Legislative Counsel

The attached work draft raises two issues that I wanted to bring to your attention. In sec. 30 of the draft, the director of the division of insurance is given the authority to adopt regulations imposing additional educational or experience requirements for a person licensed under AS 21.27. This includes a person licensed as an insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, or independent adjuster. The provision does not contain any limits on the authority given to the director. Also, in sec. 32 of the draft, the director of the division of insurance is given the authority to determine who is or is not exempt from the licensing provisions of AS 21.27.060. This provision is very broad and may constitute an impermissible delegation of legislative authority. When this bill is heard in committee, you may wish to consider if some criteria or limitation should be added to both of these provisions. Given the length of this draft, I just wanted to make sure these matters did not escape your attention.

Please contact me if you have further questions.

MFF:pl  
94-175.plm

Enclosure

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE  
January 12, 1994

WALTER J. HICKEL, GOVERNOR

800 EAST DIMOND BLVD  
SUITE 560  
ANCHORAGE, ALASKA 99515  
PHONE: (907) 349-1230

Enclosed is the 1994 draft legislation for the Division of Insurance. Along with the draft legislation is the Sectional Analysis prepared by Division staff.

This legislation includes language to address new areas of insurance regulation, adopt new accreditation standards added by the National Association of Insurance Commissioners (NAIC), and make corrections to the Alaska insurance statutes for errors found during the last two years. These changes will bring our statute up-to-date with the insurance market and allow us to maintain our national accreditation which was granted by the NAIC in December, 1992.

The bill includes the following:

- regulation of risk retention groups and purchasing groups as allowed by federal law;
- authority to respond to catastrophic situations;
- authority to suspend the certificate of authority of an insurance company that is not renewed;
- provide for voluntary surrender of an Alaska certificate of authority by an insurer domiciled in another state;
- authority to refund or grant credits for overpayment of premium tax by an insurer due to error or misinterpretation;
- require disclosure by an insurer of material transactions of purchase or disposal of assets or reinsurance (NAIC model law and accreditation standard);
- provide requirements for licensing of U.S. branches of non-U.S. insurers to allow non-U.S. insurers to use Alaska as a base of operations for business written throughout the United States (NAIC model law);
- provide authority to require continuing education for licensed insurance producers (agents/brokers);

- require that fiduciary accounts holding insurance premiums received by resident insurance producers (agents/brokers) be located in Alaska;

- provide that a single fiduciary bond can cover multiple producer office locations;

- allow the director to file civil actions for damages caused by violations of statute by Managing General Agents, Reinsurance Intermediary Brokers, and Reinsurance Intermediary Managers (amendment to NAIC model law);

- add incorporated insurers to the definition of a group of unincorporated insurers to reflect recent changes at Lloyd's of London;

- clarify when rate changes may be made to outstanding policies;

- provide that false statements made in regards to a claim may result in prosecution under Alaska law;

- allow the director to specify the format and content of rate and policy form filings to the Division;

- clarify health insurance coverage of newborn and adoptive children;

- provide for updated regulation of consumer credit insurance (NAIC model law);

- provide for redomestication of insurers domiciled in Alaska and moving to another state or requesting to move their domicile from another state to Alaska;

- provide for voluntary surrender of an Alaska certificate of authority by a domestic insurer;

- provide the authority to request quarterly financial statements from all entities regulated by the Division of Insurance;

- allow insurers to pay claims by electronic funds transfer;

Proposed Legislation  
January 12, 1994  
Page 3

- provide authority to the director to specify requirements for electronic data transfer; and

- otherwise make corrections and clarify statute provisions.

Please contact me at any time if you have questions about this proposed legislation.

Respectfully yours,

David J. Walsh  
Director

## INSURANCE LEGISLATION OF 1994

AN ACT RELATING TO THE LICENSING, ACCREDITATION, EXAMINATION, REGULATION, AND SOLVENCY OF PERSONS ENGAGED IN THE INSURANCE BUSINESS, INCLUDING INSURERS, NONADMITTED INSURERS, PURCHASING GROUPS, RISK RETENTION GROUPS, AND UNITED STATES BRANCHES OF NON-U.S. INSURERS; RELATING TO THE MANAGEMENT OF AND FILING OF REPORTS BY PERSONS LICENSED OR OTHERWISE DOING BUSINESS UNDER THE INSURANCE CODE; AND PROVIDING FOR AN EFFECTIVE DATE.

Sectional Analysis by the  
Department of Commerce and Economic Development,  
Division of Insurance

### DIRECTOR OF INSURANCE

Sections 1 through 10 include regulation of risk retention groups, authority to respond to a catastrophe, procedure on examination reports, procedures on applying for and not continuing a certificate of authority of an insurer, financial statements, and procedures on premium tax refunds and credits. Many of these changes are suggestions from the NAIC Accreditation Team visit in October 1992. Others are to provide authority and procedures in areas where none existed before.

#### Section 1. AS 21.03.010. Scope of Code, page 1.

Amends this section to explicitly extend the Scope of Code to include risk retention groups and purchasing groups as requested by the NAIC accreditation team.

#### Section 2. AS 21.06.080(e). General Powers, Duties, page 1.

This new subsection adds to the director's general powers and duties the ability to respond to a catastrophe.

#### Section 3. AS 21.06.150(q). Examination Reports, page 2.

The amendment to this subsection allows the director to close a hearing on an examination if the director finds that the closure is necessary to protect someone from unwarranted injury or is in the public interest.

#### Section 4. AS 21.09.110. Application for Certificate of Authority, page 2.

The amendment to this section removes the requirement that insurers applying for their Certificate of Authority (COA) submit specimen copies of their policy forms and rates with their COA application, and instead specifies that these policy forms and

rates should be submitted under new sections AS 21.39.040(j) or 21.42.120(g).

Section 5. AS 21.09.130(b). Continuance, Termination, Reinstatement, and Amendment of Certificate, page 4.

The amendment to this subsection provides for a suspension of the certificate of authority instead of cancellation if the insurer fails to file the forms or pay the fee to continue the certificate of authority. This change is to prevent insurers from ending regulation by Alaska Division of Insurance when issues regarding insurance operations may still be outstanding. It provides a one year suspension period.

Section 6. AS 21.09.135. Voluntary Surrender of Certificate of Authority, page 4.

This is a new section which provides a process for an insurer to voluntarily surrender their certificate of authority from Alaska. To surrender the insurer must be in compliance with Alaska

Section 7. AS 21.09.200(f). Annual Statement, page 5.

The amendment to this subsection requires the filing of annual financial statements with the National Association of Insurance Commissioners (NAIC) by all licensed insurers instead of just domestic insurers. Also provides that the filings must be on electronic media acceptable to the NAIC.

Section 8. AS 21.09.205(d). Quarterly Financial Statements, page 5.

This is a new subsection which requires that a licensed insurer file quarterly financial statements with the National Association of Insurance Commissioners (NAIC), on acceptable electronic media, and pay the applicable filing fee. Failure to comply will result in penalties.

Section 9. AS 21.09.210. Premium Tax, page 6.

The following new subsections discuss the procedures for obtaining a refund or credit for overpayment of premium taxes by an insurer.

Subsection (j) allows for the payment of a premium tax refund when an insurer discovers that it has made an overpayment due to an error in calculation, mistake of fact, or misinterpretation of law. It (1) limits the time in which the refund must be discovered to three years; (2) sets the minimum amount of a refund which can be requested at \$250; and (3) gives the director discretion in payment of a

monetary refund or a premium tax credit.

Subsection (k) was written to avoid trafficking of the premium tax credit. It prohibits the transfer or carryover of the credit in reinsurance transactions or receiverships.

Subsection (l) defines a premium tax credit.

Section 10. AS 21.09.290. Risk Retention Groups, page 6.

This is a new section that allows a risk retention group to be formed as a domestic insurer in Alaska consistent with the NAIC Model Risk Retention Act.

Subsection (a) sets out the requirements for being licensed as a risk retention group in this state.

Subsection (b) lists the items that must be submitted with an application for certificate of authority.

Subsection (c) requires the risk retention group to notify 30 days in advance any material change to its plan of operation and must receive the director's written approval of the change.

Subsection (d) provides definitions of terms used in this section.

**DISCLOSURE OF MATERIAL TRANSACTIONS**

Several sections of the Alaska Insurance Statutes require domestic insurers to file information on specific transactions. Section 11 below is being added to statute to require the filing of information on material asset transactions and material changes in ceded reinsurance transactions. Ceded reinsurance is the transfer of risk from an insurer to another insurer by contract, usually resulting in the sharing of claim liability, marketing expenses, etc. Ceded reinsurance contracts are negotiated and can take many forms depending on the need for the reinsurance. A material change in a ceded reinsurance agreement may have significant financial effects for an insurance company. The basis for this section is the NAIC Disclosure of Material Transactions Model Act which must be adopted to maintain accreditation.

Section 11. AS 21.09.300. Disclosure of Material Transactions, page 8.

This is a new section which provides requirements and procedures for filing information on specific material transactions.

Subsection (a) requires disclosure of material acquisition or disposition of assets or material nonrenewal, cancellation, or revision of ceded reinsurance agreements unless the transactions have been submitted pursuant to other provisions of the statute.

Subsection (b) requires the report be filed 15 days after the end of the calendar month in which the transaction occurs.

Subsection (c) requires that a copy of the report also be filed with the National Association of Insurance Commissioners (NAIC).

Subsection (d) requires that the report be given confidential treatment by the division, the NAIC, or any other person, except sharing with insurance departments of other states, unless the insurer gives prior written consent or unless the director determines it is in the interest of policyholders, shareholders, or the public to publish the report and gives the insurer notice and an opportunity to be heard.

Subsection (e) gives the requirements for reporting transactions of material acquisition or disposition of assets.

Paragraph (e) (1) requires that only material transactions be reported and defines material.

Paragraph (e) (2) requires that asset acquisition include each purchase, lease, exchange, merger, consolidation, succession, or other acquisition other than the development of real property for the insurer or acquisition of material for such development.

Paragraph (e) (3) requires that asset disposition include each sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment for the benefit of creditors or otherwise, abandonment, destruction, or other disposition.

Paragraph (e) (4) lists the information required in the disclosure notice to the division: date, manner of acquisition or disposition, description of asset, consideration given or received, purpose, manner of determining amount of consideration, gain or loss recognized or realized, names of persons involved.

Subsection (f) gives the requirements for reporting transactions of material nonrenewal, cancellation or revision of a ceded reinsurance agreement.

Paragraph (f) (1) requires that only material transactions be reported and defines material.

Paragraph (f) (2) requires that the filing must be made regardless of who initiates the transaction in certain circumstances.

Paragraph (f) (3) lists the information required in the disclosure notice to the division: effective date, description of the transaction, initiator of the transaction, purpose or reason, if applicable, the identity of the replacement reinsurer.

Subsection (g) requires that the report be made on a non-consolidated basis unless the insurer is part of a consolidated group which pools substantially all of its insurance losses. The subsection defines "substantially all".

#### U.S. BRANCHES OF NON-U.S. INSURERS

Section 12 through 14 provide authority and procedures for an insurer organized in a country outside of the United States to establish a U.S. branch in Alaska for operating throughout the United States.

#### Section 12. AS 21.09.500. Authorization of U.S. Branches of Non-U.S. Insurers and General Requirements, page 11.

This new section establishes Alaska as a state of entry for non-U.S. insurers who seek to transact insurance in the United States through a U.S. branch by adopting the NAIC State of Entry Model Law.

Subsection (a) states what companies to which this section applies.

Subsection (b) requires that the U.S. branch will be subject to all laws applicable to an Alaska domiciled insurance company.

Subsection (c) sets out the requirements for applying to use this state as a state of entry .

Subsection (d) allows the director to require evidence from the board of directors that the insurer will not violate Alaska law or its charter.

Subsection (e) allows the director to renew a

certificate of authority for a U.S. branch if the U.S. branch meets the requirements for renewal.

Subsection (f) lists the conditions of the U.S. branch which if they existed would prohibit the director from issuing or renewing a certificate of authority.

Subsection (g) prohibits the U.S. branch insurer from transacting business outside of Alaska that is not permitted in Alaska unless such restriction would be prejudicial to the best interest of the Alaska public.

Subsection (h) requires the U.S. branch to maintain assets in a trust account in an amount no less than the U.S. branches reserves and other liabilities and minimum basic capital and surplus.

Subsection (i) lists the requirements for the written trust agreement which must exist for the U.S. branch to conduct business in the United States.

Subsection (j) states that the trust agreement shall be in the form required by the director and not be effective until approved by the director.

Subsection (k) states that the director may approve written modifications of the written trust agreement.

Subsection (l) allows the director to conduct examinations of trustee assets and may require the trustee to file statements as to the trust fund.

Subsection (m) allows the director to withdraw approval of the trust agreement, effective in 10 days, if the requirements for the agreement do not now exist.

Subsection (n) allows that refusal or neglect of the statute requirements is cause for suspension or revocation of the certificate of authority.

Subsection (o) requires that annual and quarterly financial statements relate only to transactions within the United States and states who must sign the statement.

Subsection (p) requires that a statement of trustee surplus be filed with the annual and quarterly financial statement and gives the requirements for that statement.

Subsection (q) allows the director to require additional information on the business of the non-U.S. insurer or its U.S. branch.

Subsection (r) requires that a report of examination of the U.S. branch include a trusted surplus statement.

Section 13. AS 21.09.500(c). Non-U.S. Reinsurer, page 18.

The amendment to the subsection included in Section 12 is to add that a trust account must be in an amount not less than minimum capital and surplus nor less than the risk based capital number. This section would become effective when risk based capital legislation is adopted.

Section 14. AS 21.09.500(h). Non-U.S. Reinsurer, page 19.

The amendment to the subsection included in Section 12 is to add that the trusted assets maintained may not be less than minimum capital and surplus or less than the risk based capital number. This section would become effective when risk based capital legislation is adopted.

#### FINANCIAL REQUIREMENTS AND FILINGS OF INSURERS

Sections 15 through 26 include corrections to requirements for recognizing reinsurance credits in financial statements, updating of sections on unearned premium and loss reserves, clarification of investment limitations, correction of language regarding tender offers and authority to hire experts, and clarification of information required in the holding company registration statement.

Section 15. AS 21.12.020(a). Reinsurance Credits, page 19.

The amendments to this subsection are to make corrections for errors made when this section was most recently adopted in 1992. The amendments require that for a US branch of a non-US reinsurer to become accredited they must be licensed in at least one state that is accredited by the National Association of Insurance Commissioners (NAIC). Accreditation is a program of the NAIC which reviews state insurance divisions to determine if they meet a set of standards considered to be the minimum necessary for effective regulation. Other amendments recognize the addition of incorporated members to group insurers (such as Lloyd's of London) and require that the incorporated member not be engaged in any other business other than underwriting as a member of the group.

Section 16. AS 21.18.060. Unearned Premium Reserve For Property, Casualty, and Surety Insurance, page 23.

The amendment to this section removes the outdated method for determining unearned premium on property/casualty policies

and requires a prorata determination of unearned premium at any point in time. Premium for property/casualty policies is required to be earned in the accounting records over the term of the insurance policy. This change was suggested by the NAIC accreditation team during review of Alaska insurance statute.

Section 17. AS 21.18.090. Loss Reserves for Liability Insurance and Workers' Compensation, page 25.

The amendment to this section removes the outdated method for determining loss reserves on liability and workers compensation policies and allows accounting recognition of determined and estimated losses. This change was suggested by the NAIC accreditation team during review of Alaska insurance statute.

Section 18. AS 21.21.250(a). Other Investments, page 26.

The amendment to this section is to clarify the meaning of this investment limitation called the "basket clause". This clause allows insurers to invest a small amount in investments that are not prohibited by law. No substantive change is made.

Section 19. AS 21.21.370(a). Noninvestment Grade Obligations, page 27.

The amendment to this section is a two word change to clarify the meaning and application of the investment limitations on medium and lower grade bonds.

Section 20. AS 21.22.010(g). Filing Statement of Tender Offer, page 28.

The amendment to this subsection is a clarification of the exemption from filing a Form A acquisition statement with the division.

Section 21. AS 21.22.030(a). Approval of Tender Offer; Hearing, page 28.

The amendment to this subsection adds to the list of conditions which, if present, allows the director to disapprove the merger or acquisition of control of an insurer. The condition added is if the acquisition is likely to be hazardous or prejudicial to the public.

Section 22. AS 21.22.030(d). Approval of Tender Offer; Hearing, page 29.

The amendment to this section is to add a new subsection to allow the director to hire experts to assist the director in

reviewing a proposed acquisition of control of an insurer at the acquiring person's expense.

Section 23. AS 21.22.060(b). Registration of Insurers; Contents of Registration Statement, page 29.

The amendment to this subsection clarifies the information which must be supplied in a Form B (Holding Company) registration report. After the change all management and service contracts, cost sharing arrangements, and reinsurance agreements must be reported.

Section 24. AS 21.22.060(c). Registration of Insurers; Contents of Registration Statement, page 30.

The amendment to this subsection is to remove unnecessary language which is currently in effect in subsection (k) regarding the ability to require the filing of a registration statement by a licensed insurer.

Section 25. AS 21.22.060(d). Registration of Insurers; Contents of Registration Statement, page 31.

The amendment to this subsection is to clarify the definition of when an amount is considered not material and need not be disclosed on the holding company registration statement.

Section 26. AS 21.22.060(k). Registration of Insurers; Contents of Registration Statement, page 31.

The amendment to this subsection is to correct the subsection reference.

#### PRODUCER LICENSING

Sections 27 through 41 include clarification of licensing requirements, provide authority to require continuing education, require that fiduciary accounts for premium held by resident producers be in Alaska, allows a single bond to cover multiple locations, and updates language from NAIC model act on Managing General Agents and Reinsurance Intermediaries to allow the director to file civil action for damages.

Section 27. AS 21.27.010(a). License Required, page 31.

Amendment to this section is primarily editorial in nature and clarifies exceptions to general producer licensing requirements under AS 21.27.

Section 28. AS 21.27.020. Refusal to Issue License, page 31.

Amendments to this section by adding new subsections (f) and (g) provide for regulations to establish additional educational requirements for licensees to implement continuing education and to contract out some licensing services for increased efficiency.

Section 29. AS 21.27.025(a). Notice of Changes, page 32.

Amendments to this subsection require a licensee to report to the division a change of name or any disciplinary action taken by another jurisdiction.

Section 30. AS 21.27.060(d). Examination of Applicants, page 32.

Amendment to this subsection would allow the director to reestablish testing for certain limited licensees.

Section 31. AS 21.27.100(e). Appointment of Agents or General Agents, page 32.

Addition of this new subsection is primarily editorial in nature and clarifies that an appointment of a firm licensee extends to persons licensed as an individual in the firm.

Section 32. AS 21.27.130(1). Form and Content of Licenses, page 33.

Amendment to this section is primarily editorial in nature and clarifies the licensee's address to be shown on a license.

Section 33. AS 21.27.360(b). Fiduciary accounts, page 33.

Amendment to this subsection requires a resident licensee to maintain its fiduciary accounts in Alaska.

Section 34. AS 21.27.380(a). License Renewal, page 33.

Amendment to this subsection is primarily editorial in nature and clarifies that all license renewal documents must be received by the director on or before the renewal date.

Section 35. AS 21.27.420(c). Conditioning a license, page 33.

Adds a new subsection that provides additional licensing flexibility by allowing a license to be issued or renewed with conditions.

Section 36. AS 21.27.530(5). Producer Qualifications, page 34.

Amendment to this paragraph is primarily editorial in nature and clarifies that a single bond may cover multiple locations for a single licensee.

Section 37. AS 21.27.570(a)(3)(B). Controlling Insurance Producers, page 34.

Amendment to this paragraph is primarily editorial in nature and clarifies by adding punctuation suggested by the NAIC accreditation team.

Section 38. AS 21.27.620(j). Managing General Agents, page 34.

Amendment to this subsection adds language from updated NAIC Managing General Agents Act to allow the director to maintain civil action to recover damages from an MGA.

Section 39. AS 21.27.690(b). Reinsurance Intermediary Brokers, page 35.

Amendment to this subsection clarifies that the exemption from licensure for non-resident reinsurance intermediary brokers who are licensed in an accredited resident jurisdiction.

Section 40. AS 21.27.690(e). Reinsurance Intermediary Brokers, page 35.

Amendment to this subsection adds language from updated NAIC Reinsurance Intermediary Model Act to allow the director to maintain a civil action to recover damages from reinsurance intermediary brokers.

Section 41. AS 21.27.760(j). Reinsurance Intermediary Managers, page 36.

Amendment to this subsection adds language from updated NAIC Reinsurance Intermediary Model Act to allow the director to maintain a civil action to recover damages from reinsurance intermediary managers.

#### SURPLUS LINES INSURERS

Sections 42 to 45 add to the definition of Lloyd's the inclusion of incorporated underwriters, add an alternative method to meet the requirement of notification to the insured, and correct the time period for filing fees.

Section 42. AS 21.34.040(c)(4). Incorporated Underwriters, page 36.

The amendment to this paragraph is to include incorporated underwriters as members of a group of insurers such as Lloyd's. Lloyd's recently allowed incorporated members to join the unincorporated members. The incorporated members may not be engaged in any business other than underwriting.

Section 43. AS 21.34.080(c). Evidence of Insurance, Affidavits, Duty to File, page 37.

The amendment to this subsection clearly establishes who must execute the affidavit that notice was given to the insured and when that notice must be given.

Section 44. AS 21.34.110. Surplus Lines Broker's Duty to Notify Insured, page 38.

This amendment to this section provides the surplus lines broker with an alternative method to discharge his duty to notify the insured that the company is a nonadmitted insurer not covered by the Alaska Insurance Guarantee Association Act.

Section 45. AS 21.34.190(a). Filing Fee, page 38.

The amendment to this subsection provides that the calculations for determining the filing fee should be based on the calendar year rather than quarterly.

#### TRADE PRACTICES

Sections 46 to 55 include correction of license types, correction of responsibilities of insurance producers, clarification when rate changes may be made, reorder of one section of the chapter, clarification application of the section, and provides that false statements made in regard to claims may result in prosecution under Alaska law.

Section 46. AS 21.36.120(d). Rebates, page 38.

Amendment to this subsection is primarily editorial in nature and updates this section of the Trade Practices and Frauds chapter to correctly reflect current license types.

Section 47. AS 21.36.195. Prohibited Acts, page 39.

Amendment to this section is primarily editorial in nature and updates this section of the Trade Practices and Frauds chapter to correctly reflect responsibilities of insurance producers under AS 21.34.

Section 48. AS 21.36.235(a). Notice of Premium or Coverage Changes upon Renewal, page 39.

This is a change in the statute cite to accommodate the moving of AS 21.36.420 to AS 21.36.305.

Section 49. AS 21.36.290. Policy Period, page 39.

The amendment to this section clarifies that rate changes may be applied at the renewal date for personal auto policies which are written for a term of at least six months. Policies written for a period of less than six months are treated as six month policies.

Section 50. AS 21.36.305. Premium Increases on Personal Automobile Insurance Policies, page 40.

The addition to Chapter 36 of a new section is to move language from the existing AS 21.36.420 which is being deleted. This move is made to clarify some of the limitations existing in statute, and to locate the section in a more logical place. There are additions to this section to clarify that a surcharge may be applied on an auto policy where the insured has pleaded no contest to a moving violation, and to specify that any surcharge or premium increase may not be applied until the renewal date of the policy. The definitions section is not moved because the move to section AS 21.36.305 allowed the application of the definition of "personal automobile insurance" currently in AS 21.36.310.

Section 51. AS 21.36.360(i). Criminal Insurance Acts, page 41.

Amendment to this subsection is primarily editorial in nature and clarifies application of this subsection to all persons including risk retention groups and purchasing groups.

Section 52. AS 21.36.360(j). Criminal Insurance Acts, page 42.

Amendment to this subsection is primarily editorial in nature and clarifies application of this subsection to current license types and risk retention groups and purchasing groups.

Section 53. AS 21.36.360(k). Criminal Insurance Acts, page 42.

Amendment to this subsection is primarily editorial in nature and updates this subsection of the Trade Practices and Frauds chapter to correctly reflect current license types and risk retention groups and purchasing groups.

Section 54. AS 21.36.360(n). Criminal Insurance Acts, page 43.

Amendment to this subsection is primarily editorial in nature and correctly reflects current license types.

Section 55. AS 21.36.380. Notice on claim form, page 43.

Amendment to this section is primarily editorial in nature and clarifies that false statements made in regard to claims may result in prosecution under Alaska law.

## RATE AND POLICY FILINGS

Sections 56 to 58 provide that insurers who have applied for certificate of authority may file rates and policy forms, provides that the director may specify format and content of rate and policy form filings, and clarifies coverage for newborn or adoptive children.

### Section 56. AS 21.39.040. Rate Filings, page 44.

The amendment to this section is by adding two new subsections. Subsection (j) allows insurers who have applied for a certificate of authority and who have filed their policy forms with the division to file their requested rates with the division, before the certificate of authority has been granted. Subsection (k) specifically authorizes the director to adopt regulations regarding the format and content of rate filings.

### Section 57. AS 21.42.120. Filing, Approval of Forms, page 44.

The amendment to this section is by adding three new subsections. Subsection (f) excludes credit insurance forms from this section (since they are covered in AS 21.57.080). Subsection (g) allows insurers who have applied for a certificate of authority to file their requested policy forms with the division, before the certificate of authority has been granted. Subsection (h) specifically authorizes the director to adopt regulations regarding the format and content of form filings.

### Section 58. AS 21.42.345(b). Newly born or adopted children, page 44.

Amendment is primarily editorial in nature and clarifies that the mandatory offer of coverage for newborn or adoptive children applies to all parents.

## CONSUMER CREDIT INSURANCE

Sections 59 through 72 are the result of this chapter being revised to correspond more closely with the NAIC model law on credit insurance. The major changes to this chapter are 1) an expansion of the disclosures that must be made to debtors before the insurance may be sold, 2) the inclusion of credit unemployment insurance in the chapter, 3) the removal of the restriction limiting the scope of this chapter to loans less than \$5000 and of less than 5 years duration, and 4) the limitation on the amount of credit life insurance to no more than the amount of the loan. These changes are detailed by section below.

### Section 59. AS 21.57.010. Purpose, page 45.

This is an editorial change to change the reference from credit life and disability insurance to credit insurance.

Section 60. AS 21.57.020. Applicability, page 45.

This broadens the scope of this chapter to include credit insurance on all loans except for ones secured by a first mortgage. The restriction of this chapter in the existing law to loans of less than \$5000 for periods of less than 5 years has been eliminated.

Section 61. AS 21.57.030. Authorized Types of Credit Insurance, page 45.

This allows the defined types of credit insurance (credit life, disability, and unemployment) be written separately or combined in a package.

Section 62. AS 21.57.040. Amount of Consumer Credit Insurance, page 45.

This section gives a detailed description of the amount of credit life insurance that may be written in different situations. In general, the amount of credit insurance may be no more than the balance of the loan. The existing law allows the amount of credit life insurance to equal the balance of the loan plus all unearned finance charges.

The amount of credit disability or unemployment insurance may equal the total of the unpaid installments of the loan.

Section 63. AS 21.57.050. Duration of Coverage, page 47.

This section explains when a credit insurance policy may become effective in different situations, and how long the insurance may extend beyond the date the loan is paid. It also specifies that if the insurance is terminated before the scheduled termination date, the debtor is entitled to a refund.

Section 64. AS 21.57.055. Disclosure to Debtors, page 49.

This is a new section detailing specific disclosures that must be made to debtors before a credit insurance policy may be sold, and the manner and time that the disclosures must be made. The disclosures that must be made include: 1) that the purchase of credit insurance is optional, and not required to obtain the loan, 2) whether or not the debtor is able to select which types of consumer credit insurance to purchase, or whether the types are only sold as a package, 3) who is eligible for the credit insurance, 4) the fact that the debtor may not need or want credit insurance if they have other insurance, 5) the fact that

the debtor has a 30 day free look during which time they can cancel the policy without charge, 6) a description of the coverage provided, 7) any finance charge to be applied to the premium, and 8) whether or not the benefits of the policy are sufficient to pay off the debt in full in the event of a claim.

Section 65. AS 21.57.060. Provisions of Policies and Certificates of Insurance, page 51.

This section lists required policy provisions that must be specified on the individual policy or certificate of insurance. Most of these provisions are not significantly changed from the current law. There are new requirements for the policy to clearly specify: 1) how refunds will be calculated in the event of policy termination, and 2) whether or not the credit insurance benefits are sufficient to pay of the loan in the event of death, disability, and unemployment.

Section 66. AS 21.57.070. Requirements for Evidence of Insurance, page 52.

This section makes mostly editorial changes to the requirements regarding when the policy or certificate must be delivered to the debtor and what must be included on it. It also adds a requirement that the debtor be given a 30 day free look period to review the policy. If the debtor decides within the 30 days that they don't want the policy, they are entitled to a full refund.

Section 67. AS 21.57.080. Filing of Forms and Rates, page 54.

This section details that all policy forms, rates, etc must be filed with and approved by the director, and is not substantially different from the existing law. The main additions to the section are an addition of filing requirements for insurers' disclosure notices and advertising.

Section 68. AS 21.57.090. Premium and Refunds, page 56.

This section involves some editorial changes, and specifies the formula that must be used to calculate premium refunds in the event of policy termination.

Section 69. AS 21.57.120. Selection Rights of Insured, page 57.

This section specifies that the debtor is not obligated to purchase credit insurance from the lender as security for a debt, but may substitute insurance that the debtor already has, or by purchasing similar insurance elsewhere. The changes here are purely editorial.

Section 70. AS 21.57.125. Duties of an Insurer, page 57.

Throughout Chapter 57, various duties or responsibilities are placed on insurers. This is a new section which states that the duties assigned to an insurer may be carried out by a creditor as long as the creditor is licensed under AS 21.27.

Section 71. AS 21.57.150. Penalties, page 57.

This section lists the penalties which may be applied to an insurer, creditor, or other person for violating this chapter or an order of the director. The penalties are increased substantially from the existing law, and are consistent with the penalties listed in AS 21.27.440.

Section 72. AS 21.57.160. Definitions, page 58.

Several new definitions are added to this section, primarily to clarify some of the terms that are used in this chapter and may have been misinterpreted in the past.

#### DOMESTIC INSURER ORGANIZATIONS AND PROCEDURES

Sections 73 through 82 include procedures on redomestication to or from Alaska, procedures for voluntary surrender of a certificate of authority, requires quarterly financial statements for insurance entities which did not clearly quarterly statements, adjustment of requirements for advisory committees and special meetings of advisory committees of reciprocal insurers, clarification of definition of member insurer of the life guarantee fund, and clarification that risk retention groups are not covered by the property/casualty guarantee fund.

Section 73. AS 21.69.645. Redomestication, page 61.

The addition of this section is to provide guidance when an Alaska domestic insurer wishes to move its domestic status to another state or when an insurer that is domiciled in another state wishes to change its domicile to Alaska.

Subsection (a) requires that an insurer domiciled in another state that is licensed in this state may become a domestic of this state if they comply with all Alaska laws regarding organization and licensing of a domestic insurer and designates a principal place of business in this state.

Subsection (b) allows an Alaska domestic insurer to transfer domicile status to another state and shall be licensed in Alaska with the director's approval. The director shall give approval unless it is not in the interest of policyholders or the marketplace. The insurer is required to meet qualifications for being licensed in this state for three years after transfer.

Subsection (c) says that when domestic status is transferred in or out of this state, the certificate of authority, producer appointments, rates, and other items that director may allow will continue in effect. Outstanding policies of the insurer shall be endorsed with the new name and location of the insurer and any other information required by the director. The director shall be notified of the details of the transfer 30 days in advance.

Subsection (d) says that if the transfer is by merger or consolidation it must meet the statute requirements for mergers in Chapter 69. Certificate of authority, producer appointments, rates and other items allowed by the director shall continue in effect. Outstanding policies of the insurer shall be endorsed with the new name and location of the insurer and any other information required by the director.

Subsection (e) requires the insurer transferring to this state to file revised policy forms for approval.

Subsection (f) says that an Alaska domestic transferring to another state does not have to file new forms if the forms have already been approved in this state.

Section 74. AS 21.69.648. Voluntary Surrender of Certificate of Authority, page 62.

The addition of this section is to provide guidance when an Alaska domestic insurer wishes to voluntarily surrender its certificate of authority and discontinue operations as an insurer. The insurer must make a request to extinguish the certificate of authority six months prior to the planned effective date of extinguishment of the charter. The director must conduct an examination within 12 months of the effective date of the extinguishment and all issues noted in that report must be resolved. Any business of the insurer must be cancelled or reinsured.

Section 75. AS 21.72.125. Quarterly Statements, page 63.

The amendment of a new section allows that a benevolent association may be required by the director to submit a quarterly financial statement which must include the information required for the annual financial statement.

Section 76. AS 21.75.135. Quarterly Statements, page 63.

The amendment of a new section allows that a reciprocal insurer may be required to submit a quarterly financial statement and the director may require supplemental information on the transactions of the reciprocal insurer.

Section 77. AS 21.75.170(a). Advisory Committee, page 63.

The amendment to this subsection allows a domestic reciprocal insurer to have a subscribers committee of not less than five persons with prior written approval of the director. This change is to remove the burden of having a nine member subscribers committee when the reciprocal is very small.

Section 78. AS 21.75.170(e). Advisory Committee, page 64.

The amendment to this subsection adds that a special meeting of the subscribers committee may be called by no less than three individual subscribers. The current language of one percent of the subscribers can be burdensome for very small reciprocals.

Section 79. AS 21.79.900(6). Definitions, page 64.

Amendment to this subsection is primarily editorial in nature and clarifies the definition of "member insurer" in the Alaska Life and Disability Insurance Guaranty Association Act.

Section 80. AS 21.80.020. Risk Retention Group, Page 65.

Amendment to this section is primarily editorial in nature and clarifies that risk retention groups are not covered by the Alaska Insurance Guaranty Association Act consistent with the Liability Risk Retention Act.

Section 81. AS 21.84.340(d). Annual Statement, page 65.

The amendment of a new section allows that a fraternal benefit society may be required by the director to submit a quarterly financial statement.

Section 82. AS 21.86.080(b). Annual Statements, page 65.

The amendment of a new section allows that a health maintenance organization may be required by the director to submit a quarterly financial statement.

**MISCELLANEOUS SECTIONS, DEFINITIONS, REPEALERS AND EFFECTIVE DATES**

Sections 83 through 92 allow insurers to pay claims using electronic funds transfer, provides authority to the director to specify requirement of electronic data transfer, gives requirements and procedures for the operation of risk retention groups and purchasing groups, adds new definitions and clarifies old definitions, and repeals sections which were rewritten or found to be conflicting. The effective date for legislation is July 1, 1994 except for sections regarding consumer credit

insurance which will be effective on October 1, 1994.

Section 83. AS 21.89.030. Payment, page 65.

The amendment to this section allows insurers to pay claims using electronic funds transfer.

Section 84. AS 21.89.070. Electronic Data Transfer, page 65.

Amendment adds a section to this chapter to give the director authority to specify requirements to facilitate electronic data transfer.

Section 85. AS 21.89.080. Risk Retention Groups and Purchasing Groups, page 66.

Amendment adds a section to this chapter to give the director authority to require risk retention groups and purchasing groups to register before transacting business in Alaska as consistent with the Liability Risk Retention Act.

Subsection (a) requires risk retention groups and purchasing groups to register with the director.

Subsection (b) states that registration shall be on forms prescribed by the director and a fee will be required.

Subsection (c) requires the groups to submit an annual continuation application and fee.

Subsection (d) states that a risk retention group which is domiciled in Alaska and holds an Alaska certificate of authority does not need to register.

Subsection (e) states that a group that is not complying with federal law may not register or continue the registration.

Subsection (f) states that failure to comply with federal law on risk retention groups and purchasing groups is a violation of Alaska statute.

Subsection (g) states that violation of statute may result in a penalty of not more than \$10,000 per violation or \$25,000 if the director determines that the violation was wilful.

Subsection (h) allows the director to adopt regulations on operating and reporting requirements which do not conflict with federal law.

Section 86. AS 21.90.900(26). Definitions, page 67.

Amendment is primarily editorial in nature and clarifies definition of "managing general agent" as requested by the NAIC accreditation team.

Section 87. AS 21.90.900. Definitions, page 67.

Amendment adds new definitions to the title for "non-U.S. insurer" and "United States branch."

Section 88. Repeal, page 67.

This section repeals two parts of current statute. AS 21.27.650(f)(3) contradicts AS 21.27.100(a) which does not allow a third-party administrator to appoint subagents and is repealed. The language in AS 21.36.420 is included in AS 21.36.305 in Section 50, page 40 of this legislation. This move to a new section is made to clarify some of the limitations existing in statute, and to locate the section in a more logical place.

Section 89. Repeal, page 67.

This section repeals two sections of current statute regarding consumer credit insurance. AS 21.57.110 duplicates sections in AS 21.36 and is unnecessary. AS 21.57.170 is not appropriate in our law, and is removed.

Section 90. Effective Date, page 67.

This specifies that sections 13 and 14 will become effective upon adoption of legislation dealing with risk-based capital. Until risk-based capital legislation is adopted, AS 21.09.500 will be as shown in section 12 of this bill.

Section 91. Effective Date, page 68.

This specifies that the effective date for the changes to AS 21.57 dealing with Consumer Credit Insurance will be October 1, 1994.

Section 92. Effective Date, page 68.

This specifies that all other sections of this legislation, other than effective dates specified above in Sections 90 and 91, will be effective on July 1, 1994.

HB 534

**INSURANCE LEGISLATION OF 1994**

AN ACT RELATING TO THE LICENSING, ACCREDITATION, EXAMINATION, REGULATION, AND SOLVENCY OF PERSONS ENGAGED IN THE INSURANCE BUSINESS, INCLUDING INSURERS, NONADMITTED INSURERS, PURCHASING GROUPS, RISK RETENTION GROUPS, AND UNITED STATES BRANCHES OF NON-U.S. INSURERS; RELATING TO THE MANAGEMENT OF AND FILING OF REPORTS BY PERSONS LICENSED OR OTHERWISE DOING BUSINESS UNDER THE INSURANCE CODE; AND PROVIDING FOR AN EFFECTIVE DATE.

Sectional Analysis by the  
Department of Commerce and Economic Development,  
Division of Insurance

**SMALL LOANS ACT, CONSUMER CREDIT INSURANCE**

Sections 1 and 2 are amendments to coincide with the changes in consumer credit insurance in Sections 63 through 77.

Section 1. AS 06.20.260(a). Small Loans Act, Charges Prohibited, page 1.

Amends this section to use the term "consumer credit insurance" as defined in AS 21.57.160 (Sec. 77 of this bill).

Section 2. AS 06.20.287(a). Small Loans Act, Charges Prohibited, page 1.

Amends this section to use the term "consumer credit insurance". The term is defined in AS 21.57.160 (Sec. 77 of this bill).

**DIRECTOR OF INSURANCE**

Sections 3 through 12 include regulation of risk retention groups, authority to respond to a catastrophe, procedure on examination reports, procedures on applying for and not continuing a certificate of authority of an insurer, financial statements, and procedures on premium tax refunds and credit. Many of these changes are suggestions from the NAIC Accreditation Team visit in October 1992. Others are to provide authority and procedures in areas where none existed before.

Section 3. AS 21.03.010. Scope of Code, page 2.

Amends this section to explicitly extend the Scope of Code to include risk retention groups and purchasing groups as requested by the NAIC accreditation team.

Section 4. AS 21.06.080(e). General Powers, Duties, page 2.

This new subsection adds to the director's general powers and duties the ability to respond to a catastrophe.

Section 5. AS 21.06.150(g). Examination Reports, page 3.

The amendment to this subsection allows the director to close a hearing on an examination if the director finds that the closure is necessary to protect someone from unwarranted injury or is in the public interest.

Section 6. AS 21.09.110. Application for Certificate of Authority, page 3.

The amendment to this section removes the requirement that insurers applying for their Certificate of Authority (COA) submit specimen copies of their policy forms and rates with their COA application, and instead specifies that these policy forms and rates should be submitted under new sections AS 21.39.040(j) or 21.42.120(g).

Section 7. AS 21.09.110(b). Application for Certificate of Authority, page 4.

The addition of a new subsection requires that policy form and rate filings be submitted for approval under the appropriate statutes in Chapter 39 and 42 and that the filings may not be submitted with the application for certificate of authority.

Section 8. AS 21.09.130(b). Continuance, Termination, Reinstatement, and Amendment of Certificate, page 5.

The amendment to this subsection provides for a suspension of the certificate of authority instead of cancellation if the insurer fails to file the forms or pay the fee to continue the certificate of authority. This change is to prevent insurers from ending regulation by Alaska Division of Insurance when issues regarding insurance operations may still be outstanding. It provides a one year suspension period.

Section 9. AS 21.09.135. Voluntary Surrender of Certificate of Authority, page 5.

This is a new section which provides a process for an insurer to voluntarily surrender their certificate of authority from Alaska. To surrender the insurer must be in compliance with Alaska

Section 10. AS 21.09.200(f). Annual Statement, page 6.

The amendment to this subsection requires the filing of

annual financial statements with the National Association of Insurance Commissioners (NAIC) by all licensed insurers instead of just domestic insurers. Also provides that the filings must be on electronic media acceptable to the NAIC.

Section 11. AS 21.09.205(d). Quarterly Financial Statements, page 6.

This is a new subsection which requires that a licensed insurer file quarterly financial statements with the National Association of Insurance Commissioners (NAIC), on acceptable electronic media, and pay the applicable filing fee. Failure to comply will result in penalties.

Section 12. AS 21.09.210. Premium Tax, page 6.

The following new subsections discuss the procedures for obtaining a refund or credit for overpayment of premium taxes by an insurer.

Subsection (j) allows for the payment of a premium tax refund when an insurer discovers that it has made an overpayment due to an error in calculation, mistake of fact, or misinterpretation of law. It (1) limits the time in which the refund must be discovered to three years; (2) sets the minimum amount of a refund which can be requested at \$250; and (3) gives the director discretion in payment of a monetary refund or a premium tax credit.

Subsection (k) was written to avoid trafficking of the premium tax credit. It prohibits the transfer or carryover of the credit in reinsurance transactions or receiverships.

Subsection (l) defines a premium tax credit.

**RISK RETENTION GROUPS, MATERIAL TRANSACTIONS, AND U.S. BRANCHES OF ALIEN INSURERS**

Sections 13 through 15 add regulatory authority for three different areas of insurance regulation.

(1) AS 21.09.290 allows a risk retention group to be formed as a domestic insurer in Alaska consistent with the NAIC Model Risk Retention Act.

(2) AS 21.09.300 is being added to statute to require the filing of information on material asset transactions and material changes in ceded reinsurance transactions. Ceded reinsurance is the transfer of risk from an insurer to another insurer by contract, usually resulting in the sharing of claim liability, marketing expenses, etc. Ceded reinsurance contracts are negotiated and can take many forms depending on the need for the

reinsurance. A material change in a ceded reinsurance agreement may have significant financial effects for an insurance company. The basis for this section is the NAIC Disclosure of Material Transactions Model Act which must be adopted to maintain accreditation.

(3) AS 21.09.310 provides authority and procedures for an insurer organized in a country outside of the United States to establish a U.S. branch in Alaska for operating throughout the United States. This new section establishes Alaska as a state of entry for alien insurers who seek to transact insurance in the United States through a U.S. branch by adopting the NAIC State of Entry Model Law.

Section 13. AS 21.09.290. Risk Retention Groups, page 7.

Subsection (a) sets out the requirements for being licensed as a risk retention group in this state.

Subsection (b) lists the items that must be submitted with an application for certificate of authority.

Subsection (c) requires the risk retention group to notify 30 days in advance any material change to its plan of operation and must receive the director's written approval of the change.

Subsection (d) provides definitions of terms used in this section.

AS 21.09.300. Disclosure of Material Transactions, page 8.

Subsection (a) requires disclosure of material acquisition or disposition of assets or material nonrenewal, cancellation, or revision of ceded reinsurance agreements unless the transactions have been submitted pursuant to other provisions of the statute.

Subsection (b) requires the report be filed 15 days after the end of the calendar month in which the transaction occurs.

Subsection (c) requires that a copy of the report also be filed with the National Association of Insurance Commissioners (NAIC). The subsection requires that the report be given confidential treatment by the division, the NAIC, or any other person, except sharing with insurance departments of other states, unless the insurer gives prior written consent or unless the director determines it is in the interest of policyholders, shareholders, or the public to publish the report and gives the insurer notice and an opportunity to be heard.

Subsection (d) gives the requirements for reporting transactions of material acquisition or disposition of assets.

Paragraph (d)(1) requires that only material transactions be reported and defines material.

Paragraph (d)(2) requires that asset acquisition and dispositions be reported other than the development of real property for the insurer or acquisition of material for such development.

Paragraph (d)(3) lists the information required in the disclosure notice to the division: date, manner of acquisition or disposition, description of asset, consideration given or received, purpose, manner of determining amount of consideration, gain or loss recognized or realized, names of persons involved.

Subsection (e) gives the requirements for reporting transactions of material nonrenewal, cancellation or revision of a ceded reinsurance agreement.

Paragraph (e)(1) requires that only material transactions be reported and defines material.

Paragraph (e)(2) requires that the filing must be made regardless of who initiates the transaction in certain circumstances.

Paragraph (e)(3) lists the information required in the disclosure notice to the division: effective date, description of the transaction, initiator of the transaction, purpose or reason, if applicable, the identity of the replacement reinsurer.

Subsection (f) requires that the report be made on a non-consolidated basis unless the insurer is part of a consolidated group which pools substantially all of its insurance losses. The subsection defines "substantially all".

AS 21.09.310. Authorization of United States Branches of Alien Insurers, page 11.

Subsection (a) states what companies to which this section applies and requires that the U.S. branch will be subject to all laws applicable to an Alaska domiciled insurance company.

Subsection (b) sets out the requirements for applying to use this state as a state of entry .

Subsection (d) allows the director to require evidence from the board of directors that the insurer will not violate Alaska law or its charter.

Subsection (e) allows the director to renew a certificate of authority for a U.S. branch if the U.S. branch meets the requirements for renewal.

Subsection (f) lists the conditions of the U.S. branch which if they existed would prohibit the director from issuing or renewing a certificate of authority.

Subsection (g) prohibits the U.S. branch insurer from transacting business outside of Alaska that is not permitted in Alaska unless such restriction would be prejudicial to the best interest of the Alaska public.

Subsection (h) requires the U.S. branch to maintain assets in a trust account in an amount no less than the U.S. branches reserves and other liabilities and minimum basic capital and surplus.

Subsection (i) lists the requirements for the written trust agreement which must exist for the U.S. branch to conduct business in the United States.

Subsection (j) states that the trust agreement shall be in the form required by the director and not be effective until approved by the director.

Subsection (k) states that the director may approve written modifications of the written trust agreement.

Subsection (l) allows the director to conduct examinations of trusteed assets and may require the trustee to file statements as to the trust fund.

Subsection (m) allows the director to withdraw approval of the trust agreement, effective in 10 days, if the requirements for the agreement do not now exist.

Subsection (n) allows that refusal or neglect of the statute requirements is cause for suspension or revocation of the certificate of authority.

Subsection (o) requires that annual and quarterly financial statements relate only to transactions within the United States and states who must sign the statement.

Subsection (p) requires that a statement of trustee surplus be filed with the annual and quarterly financial statement and gives the requirements for that statement.

Subsection (q) allows the director to require additional information on the business of the alien insurer or its U.S. branch.

Subsection (r) requires that a report of examination of the U.S. branch include a trustee surplus statement.

Subsection (s) adds definitions of the terms "trustee assets" and "United States branch".

Section 14. AS 21.09.310(c). Alien insurer, page 17.

The repeal and reenactment of this subsection included in Section 13 is to add that a trust account must be in an amount not less than minimum capital and surplus nor less than the risk based capital number. This section would become effective when risk based capital legislation is adopted.

Section 15. AS 21.09.310(h). Alien insurer, page 18.

The repeal and reenactment of this subsection included in Section 13 is to add that the trustee assets maintained may not be less than minimum capital and surplus or less than the risk based capital number. This section would become effective when risk based capital legislation is adopted.

#### **FINANCIAL REQUIREMENTS AND FILINGS OF INSURERS**

Sections 16 through 28 include corrections to requirements for recognizing reinsurance credits in financial statements, updating of sections on unearned premium and loss reserves, clarification of investment limitations, correction of language regarding tender offers and authority to hire experts, and clarification of information required in the holding company registration statement.

Section 16. AS 21.12.020(a). Reinsurance Credits, page 18.

The amendments to this subsection are to make corrections for errors made when this section was most recently adopted in 1992. The amendments require that for a US branch of a non-US reinsurer to become accredited they must be licensed in at least one state that is accredited by the National Association of Insurance Commissioners (NAIC). Accreditation is a program of the NAIC which reviews state insurance divisions to determine if they meet a set of standards considered to be the minimum necessary for effective regulation. Other amendments recognize the addition of incorporated members to group insurers (such as

Lloyd's of London) and require that the incorporated member not be engaged in any other business other than underwriting as a member of the group.

Section 17. AS 21.18.060(b). Unearned Premium Reserve For Property, Casualty, and Surety Insurance, page 22.

The amendment to this section removes the outdated method for determining unearned premium on property/casualty policies and requires a prorata determination of unearned premium at any point in time. Premium for property/casualty policies is required to be earned in the accounting records over the term of the insurance policy. This change was suggested by the NAIC accreditation team during review of Alaska insurance statute.

Section 18. AS 21.18.060(c). Unearned Premium Reserve For Property, Casualty, and Surety Insurance, page 23.

The amendment to this section clarifies that insurers must compute all reserves on a basis at least as frequent as monthly.

Section 19. AS 21.18.090. Loss Reserves for Liability Insurance and Workers' Compensation, page 23.

The amendment to this section removes the outdated method for determining loss reserves on liability and workers compensation policies and allows accounting recognition of determined and estimated losses. This change was suggested by the NAIC accreditation team during review of Alaska insurance statute.

Section 20. AS 21.21.250(a). Other Investments, page 24.

The amendment to this section is to clarify the meaning of this investment limitation called the "basket clause". This clause allows insurers to invest a small amount in investments that are not prohibited by law. No substantive change is made.

Section 21. AS 21.21.370(a). Noninvestment Grade Obligations, page 25.

The amendment to this section is a change to clarify the meaning and application of the investment limitations on medium and lower grade bonds.

Section 22. AS 21.22.010(g). Filing Statement of Tender Offer, page 25.

The amendment to this subsection is a clarification of the exemption from filing a Form A statement of notification of acquisition of a domestic insurer with the division.