

**ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672**

**8934 SENATE LABOR & COMMERCE**

**SB**

**160**

# Alaska State Legislature

SENATOR  
JOHN TORGERSON  
DISTRICT D



Senate

SESSION ADDRESS  
STATE CAPITOL, ROOM 427  
JUNEAU, ALASKA 99801-1182  
(907) 465-2828  
FAX (907) 465-4770

## SPONSOR STATEMENT SB 160 - Exclusions from Unemployment Coverage

This bill provides for:

- (1) relief for "Mom & Pop" businesses from some of the burden of paperwork regarding employment of their children in the operation of their business;
- (2) relief from unemployment taxes for full time students who are employed by their mother or father;
- (3) consistency in State law since current statutes provide for exclusion for services performed in the employ of a school, college, or university, if the service is performed by a student who is enrolled and is regularly attending classes at the school, college, or university; (AS 23.20.526(d)(5); and
- (4) fairness in that current statutes require the payment of the tax, but by definition, a full time student is currently not eligible to receive unemployment compensation.

# Alaska State Legislature

SENATOR  
JOHN TORGERSON  
DISTRICT D



Senate

SESSION ADDRESS  
STATE CAPITOL, ROOM 427  
JUNEAU, ALASKA 99801-1102  
(907) 465-2828  
FAX (907) 465-4770

## SECTIONAL ANALYSIS SB 160 - Exclusions from Unemployment Coverage

Sec. 1: Amends AS 23.20.526(a)(4), Exclusions from Definition of "Employment", by inserting new language regarding full time students in the employ of their mother or father, with specific time restrictions regarding their "student" status.

Sec. 1: Effective date section.

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 160

Revision Date: \_\_\_\_\_  
Title: Exclusions from Unemployment Coverage  
Sponsor: Senator Torgerson  
Requestor: Senate Labor & Commerce

Department Affected: Labor  
BRU: Employment Security  
Component: Employment/Unemployment Services  
COMPONENT SERIAL NO. 1807

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

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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>

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>CHANGE IN REVENUE FUND SOURCE #</b>						
--	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
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 (FY95) impact: \$ None

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

SB 160 would expand the unemployment insurance coverage exemption for workers in the employ of their parents. Currently AS 23.20.526(a)(4) already excludes service performed by a child under the age of 18 in the employ of the child's father or mother. The bill would exclude such service by a worker of any age, so long as the worker was a student during eight of the last 12 months and intends to resume full-time schooling within the next four months.

Prepared by: Rebecca Nance, Director *Rebecca Nance* Phone: 465-2712  
Division: Employment Security Date: 5/1/95

Approved by Commissioner: Tom Cashen, Commissioner  
Agency: Department of Labor *Tom Cashen* Date: 5/1/95

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**  
For further distribution information call the Governor's Legislative Office

**SB**

**178**

# Alaska State Senate

SENATOR STEVE RIEGER  
District 1



During Session:  
State Capitol, Room 516  
Juneau, Alaska 99801  
(907) 465-3879

Senate Finance Committee  
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee  
Administrative Regulation Review Committee  
Legislative Council

716 West 4th Avenue, Suite 530  
Anchorage, Alaska 99501  
(907) 258-8184

## Sponsor Statement SB 178 "An Act relating to small employer health insurance."

In 1993, I sponsored legislation that created an association of insurers who transact health insurance in the state and required those insurers to join the association as a condition of doing business in Alaska. That legislation allowed a member of the association to reinsure health coverage of a small employer and required a small employer insurer to offer small employers at least two health benefit plans. This legislation passed the legislature and became Chapter 39 SLA 1993.

SB 178 amends the 1993 legislation by changing the definition of "small employer" to include those that employ 2 - 50 individuals. This is an increase from the earlier definition of 2 - 25 employees. This change is supported by the National Association of Life Underwriters, Association of Health Insurance Agents, the Southern Alaska Life Underwriters and the Health Insurance Association of America.

- ② Rieger
- ① Colfax Evans
- ③ Joe Hinton

Data

SB 178

My figures which show that of pools makes plans available to small employers. July of 1993 DOI report How many small businesses insured

**BALDWIN FINANCIAL CONCEPTS**

2525 Blueberry Rd., Suite 107 • Anchorage, Alaska 99503 • (907) 276-4849

January 4, 1986

Senator Steve Rieger  
Senate Finance Committee  
716 West 4th Avenue, Suite 530  
Anchorage, AK 99501

Dear Senator Rieger:

I would like you to support SB178 "An act relating to small employer health insurance" which would expand the definition of a small employer to 50 eligible employees. As a health insurance broker I have found that some groups over 25 with medical problems may be declined for coverage. These employers may not be able to secure coverage for their entire group. Underwriting is normally not a problem for groups of over 50 employees due to the capacity to spread adverse risk.

In addition, many organizations I belong to also support expansion of the definition to 50 employees as well. These organizations include the National Association of Life Underwriters, Association of Health Insurance Agents, and the Southern Alaska Life Underwriters.

It is my understanding that a majority of States have adopted legislation to define a small group as over 25 employees.

Thank you for your consideration on this important matter.

Sincerely,

Eric J. "Rick" Johnson  
Employee Benefits Specialist

LICENSED LIFE and HEALTH AGENTS  
OFFERING INSURANCE and OTHER FINANCIAL PRODUCTS

Lincoln Financial Group, Inc.  
Suite B  
8300 Briarwood  
Anchorage, AK 99518-3331

Tel (907) 522-1194  
Tel. (800) 478-1194  
Fax (907) 522-3415  
Rec. (907) 345-5746

David L. Stratton, CLU, ChFC  
Managing General Agent



## LINCOLN FINANCIAL GROUP

01-04-96

Senator Steve Rieger  
Juneau, Ak

Fax 1-907-465-2069

Re. SB-178

Dear Senator Rieger,

I and my company are in support of changing the definition of small employer to include those groups of 2-50 lives. We have come across a number of cases that this would have helped on in the last year. We feel that anything that can be done to broaden the number of covered groups in Alaska will be beneficial to the overall health of the state.

Please feel free to contact my office with any questions you or your staff may have.

Sincerely,

David L. Stratton

Registered representative of, and securities offered through, Lincoln National Life Insurance Co  
(member NASD), and LNC Equity Sales Corp. (member NASD, SIPC)

Branch office, 1100 South Clinton, P.O. Box 1110, Fort Wayne, IN 46801-1110 Tel. (219) 459-2000

Lincoln Financial Group, Inc. is an affiliate of Lincoln National Life Insurance Co.

**S·A·L·U**

Southern Alaska Life Underwriters Association • P.O. Box 10-3956 • Anchorage, Alaska 99510-3956

Senator Steve Rieger  
Senate Finance Committee  
716 W. 4th Ave. #530  
Anchorage, AK 99501

January 4, 1996

Dear Senator Rieger:

I am writing in support of Senate Bill 178 which proposes to include groups of 25-50 employees in small group reform. I am strongly in favor of this modification in the definition of small group because it would increase the availability of health coverage both to small employers and the consumer.

Southern Alaska Life Underwriters, the trade association of professional insurance agents of which I'm president, also endorses this modification. The support of this reform is also favored by the National Association of Life Underwriters and the Association of Health Insurance Agents, groups of which I am a member.

I urge you to vote in favor of S.B. 178 when it appears on the Senate Floor.

Thank you,



Beverly S. Lukehart, CLU ChFC  
President, Southern Alaska Life Underwriters



## HAGEN INSURANCE

810 East 36th Avenue  
P.O. Box 240326  
Anchorage, Alaska 99524-0326  
907-561-8040 Fax 907-561-8041

January 5, 1998

Hon. Steve Rieger  
State Capitol Building  
Juneau, AK 99801

RE: SB178

Dear Senator Rieger:

I am writing in my role as Chair of the Health Insurance Committee of the Southern Alaska Life Underwriters.

Our organization was instrumental in gaining support for the original small group reform bill. We feel that the original legislation is working and that its benefits should be expanded to groups of up to fifty employees.

These groups face many of the premium and underwriting pressures previously faced by smaller groups. Senate Bill 178 will bring them the same aid.

Sincerely,

Robert F. Hagen

JAN 08 10 12 AM '96 DAVID FRAZIER & ASSOC P.1/1

---

# DAVID FRAZIER & ASSOCIATES INC.

1600 A Street, Suite Number 300

Anchorage, Alaska 99501

Phone (907) 258-1169

Fax (907) 258-3638

---

## MEMORANDUM

DATE: January 8, 1996  
TO: Honorable Steve Reiger  
FROM: David Frazier  
RE: Senate Bill 178

---

I'm an independent insurance broker that specializes in group coverage. My clients and I are interested in seeing that the subject statute change takes place. Although this seems to be an insignificant issue, there are many small employers out there that have group insurance problems that would be resolved by passage of this bill. This will make it a lot easier for employers that have between 26 and 50 employees to obtain group health insurance that is affordably priced for their people and family members.

CC L & C Members

Sb178



Health Insurance Association of America

# SMALL GROUP ENACTMENTS

## STATE COMPARATIVE CHART

MAY 1995

State Affairs/Legal

Chris Petersen,  
Vice President of State Affairs/Legal  
Gregory Barranco, Legislative Analyst  
202/223-7780



Health Insurance Association of America

SMALL EMPLOYER ENACTMENTS

	ALASKA	ARIZONA
Availability	Guaranteed issue. Director may promulgate regulations to require insurers after July 1, 1993 to reissue plans that small employers had terminated after January 1, 1993. §21.56.190 (1993 SB 173)	Guaranteed offer of basic plan (beginning 7/1/94 group size is 25-40, beginning 7/1/96 group size is 3-40 lives) §20-2304-A
Group Size	2-25 §21.56.250(23)	3-40 §20-2301(10)
Individual Policies	Individual policies sold to small employers meeting certain requirements are subject to this Act. §21.56.110	Does not apply to any policy that is issued on an individual basis. §20-2302(B) May request health screening and underwriting information to be used to set rates, but not to deny coverage. §20-2304-0
Case Characteristics	Age, sex, industry, geographic area, family composition and group size. Others need director approval. May not use claim experience, health status, and duration of coverage. §21.56.120	Does not include claims experience, health status, industry or duration of coverage. §20-2301(2)
Rating Restrictions	Premium rates for small employer plans with similar case characteristics for similar coverage may not vary from the index rate by more than 35%. §21.56.120	Premium rates may not vary by more than 60% from the index rate for plans with similar coverage, family size and composition and geographic area. Plans making adjustments for demographic characteristics shall apply them consistently across all employers. Prohibits using geographic areas smaller than a county or an area that includes all areas in which the first three digits of the zip code are identical, whichever is smaller. §20-2311
Transitional Period	3 years §21.56.120 amended by §10	
Renewal Rating	Trend plus 15% plus changes in case characteristics. §21.56.120	Trend plus 15% plus any adjustment in case characteristics. §20-2311(C)
Renewability	Guaranteed renewable except "for cause." §21.56.130	Guaranteed renewable except "for cause" §20-2309
Whole Groups	Must cover whole group. §21.56.150(6)	Carriers are required to take the whole group. No regard given to health status or insurability. §20-2307, 2308
Continuity of Coverage	Preexisting condition limitation of 12 months relating to conditions 6 months before coverage. Waiting periods must be waived for the period of time an individual was previously covered if that coverage was continuous 90 days before effective date of new coverage. The period of continuous coverage may not include a waiting period for the effective date of coverage applied. §21.56.150(2)	Preexisting condition limitation of 12 months; credit of one month for each month of continuous coverage for 60 days under another plan prior to new coverage. §20-2310 Plans that provide open enrollment period of at least 30 days may impose up to one year waiting period for late enrollees. §20-2307.
Reinsurance Type	Prospective. Membership a condition of doing health insurance business. §21.56.010	Prospective/with opt out §20-2345
Reinsurance Price	Whole Groups: 150% Individual: 500% §21.56.050	Whole group: 150% Individual: 500% §20-2350
Cost Sharing	Association may not reimburse a reinsuring insurer until insurer has paid an initial level of \$5000 per year. §21.56.050	\$5000 plus 10% of the next \$10,000 and a cap of \$10,000 per year. §20-2349
Assessments	Board shall determine. Insurers may not have an assessment share less than 50% or more than 150% of the proportion of total premiums earned the preceding year from small group plans. Assessments above 5% of total premiums will be evaluated §21.56.050	Board shall determine. §20-2351
Other	Repealer on 7/1/98 §12 Prohibits cost shifting of the program to other insurers of the state. §21.56.040	All insurers must be licensed as "accountable health plans" by 7/1/96. Delivery of all health benefits through preferred provider networks required to be phased in beginning 1996. §20-2305

	ARKANSAS	CALIFORNIA
Availability		Guaranteed issue of small employer products (group size 5-50 by 7/1/93; 4-50 by 7/1/95) (1192 HB 1672)
Group Size	1-25 §23-86-202	3-50 (by 7/1/95) §10700(x)
Individual Policies	Does not apply to individual policies which are subject to policy form and premium rate approval. §23-86-203	Individual policies sold to small employers meeting certain requirements are subject to this Act. §10702
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums. Claims experience, health status, and duration of coverage are not case characteristics. §23-86-202	Includes age (7 categories), geography (9 regions), family composition (4 categories), and plan design which are used to determine the standard employee risk rate. §10700(w)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%. §204(a). For a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. §23-86-204	Premium rates may not vary from the standard employee risk rate by more than 120% nor less than 80% until July 1, 1996; effective July 1, 1996, premium rates may not vary from the standard employee risk rate by more than 110% nor less than 90%. §10700(v), 10714
Transitional Period	5 years §23-86-204	See above
Renewal Rating	Trend plus 15% plus changes in case characteristics. §23-86-204	10% permitted for risk adjustment factors; renewal rates are effective for at least six months. §10714(b)(2)
Renewability	Guaranteed renewable except "for cause." §23-86-205	Guaranteed renewable except "for cause" §10705(b), 10713
Whole Groups		Carriers are required to take the whole group. §10707
Continuity of Coverage		Preexisting condition limitation of 6 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods; if employment is terminated or employer's contribution toward the coverage has terminated, there is a 180-day period allowed for continuity of coverage. §10706, 10708(a,b), 10709(a); §10198.7
Reinsurance Type		Prospective/with opt out §10719, 10720(d)
Reinsurance Price		No provision
Cost Sharing		No provision
Assessments		No cap §10721
Other		Establishes a purchasing pool for small employers §10730 Guaranty Association - only need one member
Effective Date	January 1, 1992	July 1, 1993, but see phase-in effective dates above

	COLORADO	CONNECTICUT
Availability	Guaranteed issue for standard and basic plans (HB 94-1210) §10-16-108.5	Guaranteed issue §38a-552, 5682(b) (*1992 SB 419 changes)
Group Size	1-50 §10-16-102 (6)	1-50 §38a-564(4) (1-25 for rating restrictions until July 1, 1995)
Individual Policies	Does not apply to individual policies. §10-8-101(6)	Insurers may issue individual special health care plans subject to the laws applicable to individual health insurance, provided such policies shall be identical to individual special health care plans made available by the Health Reinsurance Association. §38a-552, 566
Case Characteristics	After Jan. 1, 1995 characteristics are limited to age bands (dependent children up to 19 years or 24 if a student; adults in five year intervals), geography, family size. Does not include claim experience, health status and duration of coverage. § 10-6-102 (10)	Appears to include everything except claims experience, duration of coverage and health status. §38a-564(27)
Rating Restrictions	Rates based on a single, same index rate, adjusted for case characteristics and coverage; Rate adjustment factors based on claims experience; between 1/1/95 and 1/1/97 adjustment factor must be between 0.8 and 1.20. before 1/1/95 adjustment factor cannot be more than previous year's factor plus 10% After 1/1/98 no adjustment factor. §10-16-105(8)	Premium rates may not exceed 200% of the base premium rate for the same or similar case characteristics for plans issued on or after 7/1/90 and prior to 10/1/92 and beginning 7/1/95 plans issued prior to 7/1/90. Rates may not exceed 150% of the base premium rate for plans issued on or after 10/1/92, and beginning 10/1/97, plans issued prior to 10/1/92.* §38a-567(5)
Transitional Period		5 years; after July 1, 1995, rating restrictions will be applied to plans issued prior to July 1, 1990 §38a-567(5)
Renewal Rating	Policies issued before 1/1/95 and renewed after 1/1/96 factor between 0.8 and 1.20; After 1/1/97 factor between 0.90 and 1.10. §10-16-105(8)	Trend plus 15% plus changes in case characteristics.* §38a-567(6)
Renewability	Guaranteed renewable except "for cause." §10-8-116.5	Guaranteed renewable except "for cause" §38a-567(3)
Whole Groups	Carriers are required to take all eligible employees of the group. §10-16-105(7.5)	Cannot exclude eligible employees or dependents on the basis of an actual or expected health condition §38a-567(4)
Continuity of Coverage	Preexisting condition limitation of six months; May exclude preexisting condition for 12 months. Waiting period not greater than ninety days may be used in lieu of preex limitations. Late enrollees may be excluded for up to 12 months; preexisting condition exclusion up to 18 months §10-16-118	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods, except a carrier may limit the credit for a person enrolled commencing before 8/1/92 to prior coverage as a resident of CT. §38a-567(1,2)
Reinsurance Type	Formula and reinsurance rates to be determined by Board, approved by commissioner. §10-8-605	Prospective/mandatory (effective 5/1/91) §38a-569
Reinsurance Price		Whole Group: 150% Individual: 500% §38a-569(c)
Cost Sharing		\$5000 for all plans except those which supplement the basic hospital or hospital surgical plans, in which case the deductible is \$2000 §38a-569(b1)
Assessments		(1) Apportioned among all members in proportion to their respective shares of the total premium earned from small group plans, (2) apportioned among all members in proportion to their respective shares of total premium earned from other plans; members' assessments cannot exceed 60% of the total assessment for the first year; 50% for the second year. §38a-569 (e2)
Other		
Effective Date	July 1, 1994	July 1, 1990

	DELAWARE	FLORIDA
Availability	Guaranteed issue (groups of 2-25) §7207(a)3	Guaranteed issue of standard and basic plans with cap (group size 3-25) §627.6699(3)r, (5)a
Group Size	1-50 §7202(29) (SBN 365 - 1994)	1-25 §627.4106(2)a (Jan. 1, 1994 changes to 1-50)
Individual Policies	Applies to any health benefit plan provided by a small employer which provides coverage to the employees of such small employer in this state. §7203	Generally applies to individual policies sold to small employers. Regarding rating and renewability provisions, does not apply to individual policies if the insurer certifies to the department that the policy was issued in good faith with no knowledge or intent that the policy is paid by or the premiums are reimbursed by a small employer §627.4106(4) (Applies to individuals 4/94)
Case Characteristics	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status, and duration of coverage are not case characteristics; small employer carrier shall not use characteristics other than age, industry, geographic area, family composition, unhealthy lifestyle choices, and group size without prior approval of Commissioner §7202(c), 7204, 7205(4)	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status, and duration of coverage are not case characteristics §627.4106(2)e  (1/1/94 rating factors are age, gender, family comp., tobacco usage and geography)
Rating Restrictions	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar benefit plans shall not vary from the index rate by more than 35%, with an additional combined variation of no more than 10% for gender and geography, and the actuarially justified adjustment for age and family composition, provided that the carrier file age and family composition tables with the Commissioner §7205(1,2)	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §627.4106(5)1,3  Expires 1/1/94.
Transitional Period	For plans delivered or issued for delivery prior to the effective date of this chapter, premium rate may have a 1 year transition period §7205(7)	5 years §627.4106(9)
Renewal Rating	Trend plus 15% plus changes in case characteristics §7205(3)b	Trend plus 15% plus changes in case characteristics §627.4106(5)b
Renewability	Guaranteed renewable except "for cause" §7206	Guaranteed renewable except "for cause" §627.4106(6)
Whole Groups	Carriers must offer coverage to all eligible employees and dependents §7207(a)	Carriers must offer coverage to all eligible employees and dependents §627.6699(5)c(7)
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 60 days prior to the new coverage, exclusive of applicable waiting periods §7207(c)	Preexisting condition limitation of 12 months with 6 month lookback; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §627.6699(5)c(1)(2)
Reinsur. Type	Prospective/with an out-out §7210	Prospective/with an out-out §627.6699(8)
Reinsurance Price	Whole Group: 150% Individual: 100% §7210(1)4	Whole Group: 150% Individual: 100% §627.6699(8)(1)a,b
Cost Sharing	\$5,000 plus 10% of the next \$50,000 §7210(1)2b, (1)3c	\$5000 per year plus 10% of incurred claims during a calendar year §627.6699(8)9(6)
Assessments	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans §7210(1)2(b), (1)3c	1st tier: an amount not to exceed 5% of small employer premiums; 2nd tier, if necessary: an amount not to exceed 5% of premiums collected on all health benefit plans issued by small and large group carriers §627.6699(8)1(2)
Other	Allows reinsurance of existing business §7210(1)3	Carriers paying 2nd tier assessments will receive a credit for assessments paid to the Florida Dist Pool §627.6699(8)1(2)b
Effective Date	January 6, 1993	October 1, 1992 (rating & renewability provisions 12/1/91)

	GEORGIA
Availability	
Group Size	1-50 (not applicable to true associations) §33-27-8(a)
Individual Policies	Silent
Case Characteristics	Age, sex, area, industry, occupation and avocational factors may be considered. "Duration since issue and their factors may not be considered." §33-27-8(d)
Rating Restrictions	The claims experience produced by small groups covered under "group life" insurance for each insurer shall be fully pooled for rating purposes. The claims experience provided by any individual small group shall not be used in any manner for rating purposes §33-27-8(b), but see §33-27-8(d) which states that not withstanding subsection (b) the total premium calculated for any small group may deviate from the pool rate by not more than + or - 25% based upon individual small group experience factors. §33-27-8(d)
Transitional Period	Silent
Renewal Rating	Substandard rating shall not be used for renewability purposes. §33-27-8(d)
Renewability	Guaranteed renewable except for cause. §33-26-56
Whole Groups	
Continuity of Coverage	
Reinsurance Type	
Reinsurance Price	
Cost Sharing	
Assessments	
Other	
Effective Date	October 1, 1990

	HAWAII	IDAHO
Availability	State run, employment based program; all residents are eligible	Guaranteed issue of standard and basic plan (2-49). §41-4708(c)
Group Size	No provision	1-49 §41-4703(28)
Individual Policies	No provision	Does apply to individual policies. §41-4704
Case Characteristics	No provision	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status and duration of coverage are not case characteristics. Carriers shall not use case characteristics, other than age or gender, without prior approval of the director. §41-4703(8).
Rating Restrictions	No provision	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. Tobacco usage may be used as a rating factor. §41-4706
Transitional Period	No provision	3 years §41-4706(f)
Renewal Rating	No provision	Trend plus 15% plus changes in case characteristics §41-4706(c)
Renewability	No provision	Guaranteed renewable except "for cause" §41-4707
Whole Groups	No provision	Carriers are required to take the whole group. §41-4708(3)e
Continuity of Coverage	No provision	Preexisting condition limitation of 12 months; full credit given if a person was covered under qualifying previous coverage if that coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §41-4708(5)
Reinsurance Type	No provision	Prospective/with an opt-out §41-4709
Reinsurance Price	No provision	Whole Group: 150% Individual: 500% §41-4711(10)b
Cost Sharing	No provision	\$5,000 plus 10% of the next \$50,000 of incurred claims during a calendar year. §41-4711(9)
Assessments	No provision	Determined by Board. §41-4711(12)e
Other	Employees required to pay 1.5% of wages, or half the premium whichever is less; employers provide the balance for each employee working more than 20 hours per week; dependent coverage is optional; unemployed residents above poverty level pay a small fee for doctor visits and a portion of the premium with the remainder being funded by the State; poor are covered by Medicaid.	
Effective Date		July 1, 1993

	ILLINOIS
Availability	Silent
Group Size	3-25 §10 (SBM 830, 1993)
Individual Policies	Does not include individual §10
Case Characteristics	Relevant demographic, geographic or other objective characteristics of a small employer in the determination of premiums. Claim experience, health status and duration of coverage are not characteristics. §10
Rating Restrictions	Index rate for a rating period for any class of business shall not exceed the index rate of any other class of business by more than 20%. Premium rates for small employer plans with similar case characteristics may not vary from the index rate by more than 25%. §30
Transitional Period	silent
Renewal Rating	15% annually. §30(A)(3)(b)
Renewability	Guaranteed renewable except for "cause." §35
Whole Groups	Insurers are required to offer coverage to the entire group. §20(c)
Continuity of Coverage	Preexisting condition limitation of 12 months. Portability of coverage to the extent a person was covered under a prior employer-based plan if not a late enrollee and prior coverage was continued exclusive of any applicable waiting period. §20A
Reinsurance Type	Silent
Reinsurance Price	Whole Group: Silent Individual: Silent
Cost Sharing	Silent
Assessments	Silent
Other	The director may adopt and promulgate rules and regulations to carry out provisions of the Small Employer Rating, Renewability and Portability Health Insurance Act. §55
Effective Date	January 1, 1994

	INDIANA	IOWA
Availability		Guaranteed issue §513(B)10
Group Size	3-50 IC 27-8-15(14)	1-50; however, must have at least 2 participating employees at the date of issue of health benefit plan §513B.2
Individual Policies	Does not apply to individual policies. IC 27-8-15(2)	Does apply to individual policies which are subject to policy form and premium rate approval. §513B.3
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums. Claims experience, health status, and duration of coverage are not case characteristics. IC 27-8-15(6)	Include age, geographic area, family composition, and group size; gender may be used provided the insurance division has conducted an independent, actuarial study that determined use of gender shall to be actuarially justified; other case characteristics shall not be used without prior approval of commissioner. §513B.4(2)
Rating Restrictions	For a small employer business, the premium rates charged small employers with similar case characteristics for the same or similar benefit design characteristics may not vary from the midpoint rate by more than 35%. IC 27-8-15(16)(1)	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. §513B.4
Transitional Period	5 years IC 27-8-15(16)(3)	3 years §513B.4
Renewal Rating	Trend plus 15% plus changes in case characteristics. IC 27-8-15(16)(2)	Trend plus 15% plus changes in case characteristics. §513B.4
Renewability	Guaranteed renewable except "for cause." IC 27-8-15(19)	Guaranteed renewable except "for cause." §513B.5
Whole Groups		Must offer to whole group, except as permitted with regard to late enrollees. §513B.7A(3)e
Continuity of Coverage	Preexisting condition limitation of no more than 9 months. Must waive exclusion period for preexisting conditions for time employee was previously covered by a plan to a date not more than 30 days before effective date. Preexisting exclusions limited to 15 days for late enrollees. §27-8-15(27) et seq. (effective 1/1/96) Continuing coverage for at least 90 days. IC 27-8-15(31.1)	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods. May impose waiting period of no longer than 60 days for new entrants. §513B.7A(3)3
Reinsurance Type		Prospective with an opt-out §513B.7(D)
Reinsurance Price		Whole Group: 150% Individual: 500% §513B.7(D)9(b)
Cost Sharing		\$5,000 and 10% of the next \$50,000 of incurred claims during a calendar year; liability maximum of \$10,000 in any one calendar year with respect to any reinsured individual. §513B.7(D)8(D)
Assessments		Formula to be set by Board but must be 50%-150% of carrier's proportional share of all reinsuring carriers' small employer premium; amount shall be 5% of total premium earned in previous year from small employer plans. §513B.7(D)11(2)
Other		
Effective Date	June 30, 1992	July 1, 1992

KENTUCKY

Availability	Guaranteed issue SBM 250 §54(1)
Group Size	No provision
Individual Policies	Applies to individual policies. §55
Case Characteristics	Modified community rating for state alliance plans, individual plans and groups with less than 100. Factors permitted include age (limited to 300%), geography, family composition, benefit design, and limited discount for healthy lifestyle. §55(1)
Rating Restrictions	No provision
Transitional Period	No provision
Renewal Rating	No provision
Renewability	Guaranteed renewable except for "cause." (Regulation 806. 18:030)
Whole Groups	No provision
Continuity of Coverage	Pre-existing condition limitation of 6 months; applies only to conditions arising during prior six months. Credit given for prior health coverage if there was no lapse more than 60 days. §54(2)
Reinsurance type	No provision
Reinsurance Price	No provision
Cost Sharing	No provision
Assessments	Risk adjustment process shall be set by Board to reflect demographic and medical risk characteristics. §56
Other	After 7/15/95 only five Board approved plans may be offered in the state (approved supplemental plans may also be offered).§59 Plans must include cost containment features. Any willing provider §54(3):
Effective Date	July 15, 1995

	KANSAS	LOUISIANA
Availability	Guaranteed issue (group size: 3-25) (1992 SB 561) §4(b), 12(a)	Silent
Group Size	1-50 §3(z)	3-35 for employer groups §22:228.1; Family groups of 1 or more persons §22:215.A(2)(a)
Individual Policies	Individual policies issued to individuals and dependents totally independent of any group, association, or trust arrangement shall not be subject to this Act §4(a), 4(a)3(e)	Silent
Case Characteristics	Case characteristics include the geographic area, age and sex, industry classification, number of employees and dependents, family composition, and other objective criteria as may be approved by the commissioner; claims experience, health status, and duration of coverage are not case characteristics §3(g)	Modified community rating. Age, gender, industry, geographic area, family composition, group size, tobacco usage, plan benefits and other approved factors may be used in determination of premiums. Claims experience, health status, and duration of coverage must be phased out at the first renewal after 1/1/94 (individually underwritten, guaranteed renewable limited benefit or supplemental policies exempted). §22:228.6
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §7(1)(2)	Index rate for one class of business shall not vary from the index rate for any other class of business by more than plus or minus 20% after 1/1/94. After 1/1/96, may not vary by more than 10%. For a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. §22:228.6(B) May not increase premium rates during first 12 months of coverage or more than once in any 6 month period 22:229
Transitional Period	3 years §7(6)	3 years (until 1/1/94) §22:228.1
Renewal Rating	Trend plus 15% plus changes in case characteristics §7(3)(b)	Trend plus 15% plus changes in case characteristics. §22:228.2
Renewability	Guaranteed renewable except "for cause" §5(c)	Guaranteed renewable except "for cause." §22:228.3
Whole Groups	Prohibits carrier from excluding any employee or dependent on the basis of an actual or expected health condition §5(c)6(e)	May not impose a preexisting condition limitation greater than 12 months. R.S. 215.12. Credit given for previous coverage if coverage was continuous to a date not more than 60 days prior to new coverage, exclusive of any waiting periods. R.S. 215.12.
Continuity of Coverage	Preexisting condition limitations of 90 days and waiting periods not to exceed 90 days; waiting periods may be waived if individual was covered by a group policy prior to the effective date of coverage with no gap in coverage §6(a)(b)	
Reinsurance Type	Prospective/with an opt-out §11(a)	
Reinsurance Price	To be established by the reinsurance board §13(a)6	
Cost Sharing	\$10,000 plus 10% of the next \$50,000; maximum in one calendar year shall not exceed 20% of total premiums §11(h)6(j)	
Assessments	Not to exceed 5% of small employer plan premiums; second tier not to exceed 1% of total premium upon which assessment is based §11(k)2(c)	
Other	Must reinsure the entire group; <u>all</u> carriers, whether reinsuring or not, subject to second tier assessment §11(k)2(b)	
Effective Date	July 1, 1992	January 1, 1996

	MAINE	MARYLAND
Availability	Guaranteed issue of standard and basic plans. (1992 HP 507) §2808-B 4(A)	Guaranteed issue all plans. Carriers must have annual 30-day open-enrollment period for self-employed individuals. §704(A and B))
Group Size	1-24 §2808-B 1(D)	2-50 (3-50 until 1/1/95 if carrier does not impose pre-existing conditions.) §698(P)
Individual Policies	All policies, plans, contracts and certificates issued are subject to this section. §2808-B(7)	Could apply in the future as well as to larger groups if statutory trigger is met.
Case Characteristics	A carrier may not vary the premium rate due to the gender, health status, claims experience or policy duration of the eligible group; age, industry, smoking status and geography within the bands; family status, smoking status, participation in wellness programs, and group size may be used outside rate bands §2808-B 2(B)	Carriers may only adjust the community rates for age and geography. Geography is based on the Baltimore metropolitan area; the DC metropolitan area; Western Maryland and Eastern and Southern Maryland. §702(A)
Rating Restrictions	Premium rates for age, gender, industry, and geographic area may not vary by +/- 50% of the community rate until 7/1/94, +/- 33% of the community rate until 7/1/95, and +/- 20% of the community rate after 7/1/95. §2808-B 2(D)	Carriers may charge 50% above or below the community rate between 7/1/94 and 6/30/95; 40% between 7/1/95 and 6/30/96; 33% between 7/1/96 and 6/30/97; and 16% after 7/1/97. §702(B)
Transitional Period	None	No provision.
Renewal Rating	No provision	No provision.
Renewability	Guaranteed renewable except "for cause" §2808-B 4(B)	Guaranteed renewable except "for cause" for all plans §705
Whole Groups	(1990 - applies to <u>all</u> groups) Prohibits carriers from excluding any person from group; all new eligible employees must be added; may reject group until guaranteed issue is effective §2829-B	Carriers are required to take the whole group. §704(B)
Continuity of Coverage	(1990 - applies to <u>all</u> groups) Requires continuity for any person eligible for coverage in prior 3 months in a group replacement situation or for person moving from individual to group or group-to-group coverage; No preexisting condition waiting period for more than 12 months; Exclusions may only relate to conditions manifested during 12 mos. immediately preceding effective date of new coverage or pregnancy §2850(2) Late enrollees cannot be excluded for more than 6 mos. §2347(1)	Until 12/31/94, preexisting condition limitation of 6 months, after that date - none; credit given if previous coverage was continuous 60 day prior to the new coverage. Late enrollees may be subject to 12 month limitation. §701(a) Late enrollees waiting periods not to exceed 12 months or enrollee has the option to wait for the next open enrollment period which may not exceed a 12-month period. §701(b) May impose up to a 90 day waiting period or surcharge not to exceed 150% of community rate for one year. §701(c)
Reinsurance Type	Prospective with opt out §2808-B	Prospective/with an opt-out. §706
Reinsurance Price	No provision	Whole Group: 150% Individual: 500% §709(B)
Cost Sharing	No provision	\$5,000 plus 10% of the next \$50,000 of incurred claims during a calendar year; liability maximum of \$10,00 in any one calendar year with respect to any reinsured individual §709(A)5
Assessments	No provision	Formula to be set by Board, but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans §709(D)
Other	Marketing standards; superintendent will develop standardized plans §2808-B (6)	Loss ratio 75% and expense ratio 20% or commissioner may require the insurer or HMO to file new rates. §712
Effective Date	July 15, 1993 (for rating and guaranteed issue)	July 1, 1993 (Some provisions effective 7/1/94)

	MASSACHUSETTS	MINNESOTA
Availability	Guaranteed issue; however, until December 31, 1994, a carrier can limit the guaranteed issue requirement to 90 consecutive days a year; certain association groups are exempted from all but the reinsurance portion of the bill (1991 HB 6307) §2(b), 4(a)1	Guaranteed issue of all products sold in small employer market (1992 HB 2800, SB 2603) §3 subd. 1, 4 subd. 1
Group Size	1-25 §1	2-49 §subd. 26
Individual Policies	Does not apply to individual policies §2(a)	All provisions except guaranteed issue apply to individual policies §12 subd. 1, 2, 6 subd. 27(i)(ii)
Case Characteristics	Age, sex, rate basis type, industry, number of eligible persons, and participation rate of a group §1	Relevant characteristics of small employer as determined by carrier in determination of premiums; claims experience, health status, industry, duration of coverage, and gender are not case characteristics §2 subd. 6, 3 subd. 4
Rating Restrictions	Premium rates are limited to a 2-1 rate band; however, the following adjustments are permitted inside that band: benefit level, geography +/- 20%, group size +/- 5%, wellness discount -5%, phase out adjustment for experience and duration rating on existing business to reach +/- 15% by 12/31/94, age +/- 33% until 12/31/93 §3(a)1, 3(a)3(4), 3(a)7	Rates must not vary by more than +/- 25% of the index rate for same or similar coverage; inside the rating band, variations can be based only on health status (includes refraining from tobacco use or other actuarially valid lifestyle factors), claims experience, industry, and length of time employer has been covered; adjustments outside the band: age +/- 50%, geography +/- 20%, rate cells are permitted based on number of adults and children covered under the policy §8 subd. 2, 3, 4, 5, 6
Transitional Period	Phase out of rating restrictions §3(a)8	None
Renewal Rating	Trend plus 10% plus changes in case characteristics §3(b)	No provision
Renewability	Guaranteed renewable except "for cause" §4(b)(1)(2)	Guaranteed renewable except "for cause" §3 subd. 5
Whole Groups	Prohibits policies from excluding eligible employees or eligible dependents on the basis of an actual or expected health condition of such person §5(a)	Application must include all eligible employees §4 subd. 1
Continuity of Coverage	Preexisting condition exclusion of 6 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage and if previous coverage was reasonably actuarially equivalent to new coverage §5(b)	Preexisting condition exclusion of 12 months; requires credit for time covered under qualifying prior coverage; permits 18 month preexisting condition limitation for late entrants §3 subd. 4
Reinsurance Type	Prospective/mandatory for commercials §8	prospective/with an opt-out §13, 18(1)
Reinsurance Price	Whole Groups: 150% Individuals: 500% §8(1)(2)	Whole Groups: 150% Individuals: 500% §21(1)
Cost Sharing	\$5,000 §8	\$5,000, plus 10% of the next \$50,000 §20(1)
Assessments	5% of small employer premiums; if inadequate, other funding sources will be recommended §8(7)	Initially, \$100; in addition, not to exceed 4% of the member's small group market premium (if it is determined that premium charges are insufficient to cover the losses) §22(2)(3)
Other		Loss ratios: Initially 65% for individual policies, 75% for group policies; increases by 1% per year to 70% and 80%, respectively §8(1)
Effective Date	April 1, 1997	Most provisions July 1, 1993

	MISSISSIPPI
Availability	
Group Size	1-35 §83-63-5(m)
Individual Policies	Subject to law if any portion of premiums or benefits is paid by employer. §83-63-1
Case Characteristics	Demographics and other objective characteristics; Claims experience, health status and duration of coverage are not case characteristics. §83-63-3(d)
Rating Restrictions	Rate may not vary by more than +/- 25% of index rate for any class of business with similar case characteristics §83-63-7(1)
Transitional Period	3 years §83-63-7(e)
Renewal Rating	Trend plus 15% changes in case characteristics §83-63-7(c)
Renewability	Guaranteed renewable except for cause. §83-63-11
Whole Groups	
Continuity of Coverage	
Reinsurance Type	
Reinsurance Price	
Cost Sharing	
Assessments	
Other	
Effective Date	

	MISSOURI	MONTANA
Availability	Guaranteed issue of basic and standard plans (1992 SB 796) §6	Guaranteed issue of standard and basic plans. §29 (1995 HB 466)
Group Size	3-25 §1(2B)	3-25 §24(25)
Individual Policies	Generally applies to individual policies sold to small employers. Sections 1-12 shall not apply to any plan when employees pay the total cost of the plan. §2(1)(2)(3),3	Individual policies sold to small employers meeting certain requirements are subject to this Act. §25
Case Characteristics	May use age, sex, industry, geography, family composition, and group size without prior approval of director; claims experience, health status, and duration of coverage are not case characteristics. §379.936.1(10)	Relevant characteristics of small employer as determined by carrier in determination of premiums; claims experience, health status, gender and duration of coverage are not case characteristics. §24(8)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §4(1)(2)	Index rate for one clas. of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. If the MT health care authority certifies to the commissioner that the cost containment goal is met before 1/1/99, the premium rates charged to small employers with similar case characteristics for the same or similar coverage may not vary from the index rate by more than 20%. §27
Transitional Period	3 years §4(3)b	
Renewal Rating	Trend plus 15% plus changes in case characteristics §4(3)b	Trend plus 15% plus changes in case characteristics. §27c
Renewability	Guaranteed renewable except "for cause." §5	Guaranteed renewable except "for cause" §28
Whole Groups	Insurer must cover the whole group §6(5)a	Must cover whole group §29
Continuity of Coverage	Preexisting condition limitation of 12 months with 6 month lookback; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods. Permits 18 month preexisting condition limitation for late entrants. §6(2)(2)	Preexisting condition exclusion of 12 months; waiting periods may be waived if individual was covered by a group policy prior to the effective date of coverage if previous coverage was continuous for 30 days prior to new coverage; permits 18 month preexisting condition limitation for late entrants. §29
Reinsurance Type	Prospective/mandatory with an opt-out after three years §7(1)	Prospective with opt out. §30
Reinsurance Price	Whole Group: 150% §7(9)2	Whole Groups: 150% Individual: 500% §30
Cost Sharing	\$5,000 plus 10% of the remaining incurred claims; maximum limit of \$25,000 §7(8)3	\$5,000, plus 20% of the next \$100,000, with a maximum limit of \$25,000 per year, per individual. §30
Assessments	Formula to be set by Board, but must be 50%-150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans. §11	The board shall determine prior to March 1 each year. Formula requires each carrier to pay a fraction of the total assessment. §33-22-1819(8)
Other		Loss ratios: initially 65% for individual policies, 75% for group policies; increases by 1% per year to 70% and 80%, respectively §8(1)
Effective Date	Guaranteed issue and continuity of coverage provision effective July 1, 1994; all other sections effective July 1, 1993.	January 1, 1994 §30-34; July 1, 1993; October 1, 1995

	NEVADA
Availability	Limited open enrollment. §689C-19 (AB 299, 1995)
Group Size	2-25 §689C-10
Individual Policies	
Case Characteristics	May not use characteristics other than age, sex, industry (limited), geography, family composition or group size without prior approval of commissioner; may not use claim experience, health status or duration of coverage. §689C-14 and 21.
Rating Restrictions	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%. For a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. §689C-22.
Transitional Period	Three year transition period. §689C-20(3)
Renewal Rating	Trend plus 15% plus changes in case characteristics. §689C-20
Renewability	Guaranteed renewable except for cause. §689C-29
Whole Groups	Carriers must offer coverage to whole group. §689C-18
Continuity of Coverage	Preexisting condition limitation of 6 months if enrolled during open enrollment or for late enrollees. 12 month waiting period for employees who miss open enrollment period. Credit given for continuous coverage up to 90 days prior to effective date.. §689C-18
Reinsurance Type	
Reinsurance Price	
Cost Sharing	
Assessments	
Other	
Effective Date	Most sections effective January 1, 1996.

	NEBRASKA	NEW HAMPSHIRE
Availability	Guaranteed issue of standard and basic plans, but with cap of \$1 million. LBN 1222 §38(4)	Guaranteed issue §420-G:4(c) Carriers may require up to 75% of eligible employees to qualify §420-G(111) (1994 SB 711)
Group Size	3-25 LBN 1222 §31	1-100 §420-G:3(1)
Individual Policies	Does not apply to individual policies which are subject to policy form and premium rate approval. Individual policies issued prior to 1/1/95 under certain circumstances. LBN 1222 §34(2)	Applies to individual health insurance policies §420-G:(11)
Case Characteristics	Age, gender, industry, geographic area, family composition and group size. Others may be used with prior approval of director. Claims experience, health status, and duration of coverage are not case characteristics. LBN 1222 §36(j)	Gender, geography, occupation, claims experience, health status, and duration of coverage are not case characteristics §420-G:4
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%. For a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. LBN 1222 §36	Community rating based on monthly or quarterly average for each membership type - may modify only for age brackets. First year maximum differential is 4 to 1; second and subsequent years, 3 to 1. §420-G:4
Transitional Period	3 years LBN 1222 §36(g)	
Renewal Rating	Trend plus 15% plus changes in case characteristics. LBN 419 §24	May not be increased by more than 25% from preceding year. §420-G:4
Renewability	Guaranteed renewable except "for cause." LBN 1222 §37	Guaranteed renewable except "for cause" §420-G:4(1)(c)(4)
Whole Groups	Carriers must offer coverage to whole group. §44-5260(3)(e)	Insurer must cover the whole group §420-F:4
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 90 days prior to the new coverage, exclusive of applicable waiting periods. LBN 1222 §38(3)	Preexisting conditions waiting period allowed up to 3 months, condition exclusions up to 9 months; credit given for previous coverage whether insured or self-insured; lack of coverage during period of unemployment will also be disregarded; late enrollees must wait for next open enrollment period G:4(11)
Reinsurance Type	Prospective with opt out. LBN 1222 §39	No provision
Reinsurance Price	Whole Group: 150% Individual: 500% LBN 1222 §39(9)(b)	No provision
Cost Sharing	\$5,000 plus 10% of the next \$50,000 up to \$10,000 in calendar year LBN 1222 §39(8)(d)	No provision
Assessments	Formula to be set by Board but must be 50%-150% of carrier's proportional share of all reinsuring carriers' small employer premiums. LBN 1222 §39(11)	No provision
Other	Standard and Basic Health plans required LBN 1222 §38	High Risk Pools prohibited §420-G:41(c)(3) Requires acceptance of electronic claims submitted in X12 format. §420-G:4 VI
Effective Date	April 16, 1994: (Amended by LB837, 1995)	January 1, 1995

	NEW JERSEY	NEW MEXICO
Availability	Continuous open enrollment; guaranteed issue of five "standard" plans or HMO variation §17B:27A-19	Silent
Group Size	2-49 §17B:27A-17	2-50 §59A-2 J.K
Individual Policies	Applies to all health benefit plans covering 2 or more eligible employees of one or more small employers §17B:27A-18	Does not apply to individual policies which are subject to policy form and premium rate approval. §59A-23C-4.B
Case Characteristics	Community rating; prohibits the use of age, gender, health status, residence or occupation with community rating. §17B:27A-17	Until 7/1/98, case characteristics include age, gender, geography and smoking; however, claims experience, health status or duration of coverage may not be used; After 7/1/98, the only factor allowed will be age (+/- 19) §59A-23C-5.1
Rating Restrictions	Plans must be community rated by 1/1/97. 1/1/94 to 12/31/95, premium rates charged to highest rated group shall not be greater than 300% of rate charged to lowest rated group. 1/1/96 to 12/31/96 greater than 200%. §17B:27A-25(a)	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 15%. For a class of business, the premium rates charged shall not vary from the index rate by more than 25% of the index rate. §59A-23C-5
Transitional Period	3 years §17B:27A-25(a)	5 years §59A-23C-5.4
Renewal Rating	Beginning 1/1/95 may make informational filing with commissioner of increase or decrease provided the loss ratio not be less than 75%. §17B:27A-25(g).	Trend plus 10% plus changes in case characteristics. §59A-23C-5.A(3)
Renewability	Guaranteed renewable except "for cause." §17B:27A-23.	Guaranteed renewable except "for cause." §59A-23C-6
Whole Groups	Must offer coverage to all employees and their dependents. Cannot exclude based on actual or expected health condition. §17B:27A-18	Must cover whole group. (HB 236, 1995)
Continuity of Coverage	Generally no preexisting condition limitations. Preex may apply to a group of 2-5 if the period is 180 days forward and 6 months back, however, if 10 or more late enrollees request coverage pre-ex does not apply. Credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 90 days prior to the new coverage, exclusive of applicable waiting periods. §17B:27A-22	Preexisting condition limitation of six months §59A-23C-7.1
Reinsurance Type	Prospective §17B:27A-35	
Reinsurance Price	Each carrier's assessment calculated by multiplying the total assessment amount by the ratio of the carrier's earned premiums to the total earned premiums for all reinsuring carriers. NJAC 11:21-2.9(c)(1) Reinsuring carrier's assessments exceeding 4% of earned premiums will be apportioned to all small employer carriers based on their share of earned premiums. NJAC 11:21-2.9(c)(5)	
Cost Sharing	Reimbursement to be determined by the standards developed by the board §17B:27A-36(a)	
Assessments	Apportioned among all reinsuring members in proportion to their respective shares of the premiums earned from small group plans. Additional assessments of all members not to exceed 1% of premiums. Credit given to carriers paying 2nd tier assessments. §17B:27A-37	
Other	Requires all small employer carriers to offer 5 standard plans. §17B:27A-18. MEVAs must register with NJ Small Employer Health Excess Benefits Program, and must offer one or more of the standard plans; must conform to rating restrictions, guarantee issue, and guaranteed renewability provisions. §17B:27A-48	
Effective Date	January 1, 1994	January 1, 1995

	NEW YORK	NORTH CAROLINA
Availability	Continuous open enrollment (guaranteed issue) (1992 A 12350-A) §3231	Guaranteed issue §143-629 (1993 HB 729, Chapter 529)
Group Size	3-50 for open enrollment §3231	2-49 §58-50-110(22)
Individual Policies	Must be community rated and must be offered through open enrollment §3231	Applies to individual health policies (only self-employed) §143-623
Case Characteristics	Prohibits the use of age, sex, health status, or occupations; geography is permitted on a county-wide (or larger) basis; Since not prohibited, presumably group size, participation, wellness, and other case characteristics are permitted §3231(a,b)	Adjusted community rating methodology allowing the premium to vary on the basis of the eligible employee's or dependent's age, gender, number of family members covered or geographic area. Rating factors related to age, gender, number of family members covered or geographic location may be developed by each carrier to reflect carrier's experience. No age brackets of less than 5 yrs. May not apply different geographic rating factors to the rates of small employers located within the same county. §58-50-130
Rating Restrictions	No statutory restrictions on permitted case characteristics, but Department has rate approval authority for initial rates: §3231(c)(e)	May not modify the rate for a small employer for 12 months from the initial issue date or renewal date, unless the composition of the group changed by 20% or more or benefits are changed. Community rating index line adjusted pro rata for a period of 2 yrs. beginning 1/1/95. Carriers participating in an Alliance may apply a different community rate. On 1/1/95 rates charged employers with similar case characteristics for the similar coverage shall not vary from the adjusted community rate by more than 20%. On 1/1/96 rates shall not vary by more than 10%. On 1/1/97 all small employer benefit plans issued before 1/1/97 will have rates based on the same adjusted community rating standard applied to new business. §58-50-130(b)
Transitional Period	The one-year delay in effective date is viewed as the transition period	3 years §58-50-130(b)7
Renewal Rating	Prior rating approval; beginning April 1, 1994, rates shall be deemed approved if policy has an anticipated loss ratio of not less than 75% §3231(a), 3231(2)a	Trend plus 15% plus changes in case characteristics §58-50-130(b)3(b)
Renewability	Coverage may not be terminated due to claims experience §3231	Guaranteed renewable except "for cause" §58-50-130a(3)
Whole Groups	Carriers must offer coverage to all employees and their dependents §3231	Must cover the whole group. §58-50-125
Continuity of Coverage	Plans must credit the time a person was covered under previous health insurance plan or benefit arrangement if the previous coverage was continuous to a date not more than 60 days prior to the effective date of new coverage §3232(a), 4318(a)	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 60 days prior to the new coverage, exclusive of applicable waiting periods §58-50-130
Reinsurance Type	Demographic and large claims pooling mechanisms. §3233(c)	Prospective/with an opt-out §58-50-150
Reinsurance Price	No provision	Whole Group: 150% Individual: 500% §58-50-150(g)2(g)
Cost Sharing	No provision	\$5,000 plus 10% of the next \$50,000 §58-50-150(g)2(c)
Assessments	No provision	First 3 years: 50% - 150% of amount it would have been had assessments been based on proportional relationship of small carrier's total premiums; not to exceed 6% §58-50-150(i)i
Other	1 and 2 live employers must be classified in either the individuals or small groups rating category by the insurer §3231(b)	Sets up non-exclusive Health Plan Purchasing Alliances. §143-628

	NORTH DAKOTA	OHIO
Availability	Guaranteed issue of basic and standard plans (group size 3-25) §26.1-36.3	Modified open enrollment: (for groups of 2-25). Carriers must open enroll 1/2 of 1% of small group certificate holders. §3923.58(G)
Group Size	1-25 §1(25)	2-50 (2-25 for MHOs) §3924.01(P)
Individual Policies	Individual policies sold to small employers meeting certain requirements are subject to this Act. §2	Subject to law if any portion of the premium or benefits is paid by the employer, or any individual is reimbursed for any portion of the premium. Subject to open enrollment. §3924.02(A)
Case Characteristics	Age, gender, industry, geographic area, family composition and group size. Claim experience, health status and duration of coverage are not characteristics. Gender may not be used as a case characteristic after 1/1/96. §26.1-36.3-04	Geography, age, sex and industry classification; group size. Does not include claims experience, health status or duration of coverage. §3924.01(E)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 15%; for a class of business, premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 20%. §26.1-36.3-04 After 1/1/97 premium rates may not vary by a ratio of greater than 4:1.	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate. §3924.04(b); if carrier uses industry, may not vary more than 15% from arithmetic average for all industry classifications. §3924.04(B)
Transitional Period		for health plans delivered prior to effective date, a premium rate may exceed ranges for 18 months immediately following effective date. §3924.04
Renewal Rating	Trend plus 15% plus changes in case characteristics. §4(2)	Trend plus 15% changes in case characteristics. §3924.04(C)
Renewability	Guaranteed renewable except "for cause." §5	Guaranteed renewable except "for cause." §3924.03(C)
Whole Groups	Must cover whole group. §6(3)	Cannot exclude eligible employees or dependents on the basis of an actual or expected health condition. §3924.03(F)
Continuity of Coverage	Preexisting condition limitation of 12 months relating to conditions 6 months before coverage. Waiting periods waived for the time an individual was previously covered if the coverage was continuous 90 days prior to the effective date of new coverage. Does not preclude application of a waiting period for all new enrollees. §6(3)	Preexisting condition limitation of 12 months with 6 months look back. Waiting periods may not be more than 90 days. Credit time to a person covered under a previous health plan for 30 days prior to the effective date of the new coverage, exclusive of any applicable waiting period. Late enrollees may be excluded up to 24 months. §3924.03
Reinsurance Type	Prospective §7	Voluntary, prospective §3924.07
Reinsurance Price	Whole groups: 150% Individuals: 500% §7(8)	Whole Group: 150% Individual: 500% §3924.12(A)
Cost Sharing	\$5000, plus 10% of the next \$50,000 not to exceed \$10,000 in a year per individual. §7(8)	Adopted although not in statute, carriers must meet the first \$5,000. Does not apply to open enrollment.
Assessments	Formula set by Board, but must be 50%-150% of carrier's proportional share of premiums; maximum amount 5% of total premiums earned in previous year. §7(11)	Apportioned among all members in proportion to their respective shares of the total premiums earned from small group plans. Assessment may not exceed 1%. §3924.13(B) Separate pool for open enrollment reinsurance fund - maximum assessment of 3% of small group premiums §3924.1(2)
Other		
Effective Date	August 1, 1993	January 14, 1993

	OILAHOMA
Availability	Guaranteed issue for eligibles living in service area (standard or basic plans by 1/1/95) (HBN 2256; Title 36, §6520)
Group Size	2-50 §2.7
Individual Policies	
Case Characteristics	Case characteristics other than age, gender, industry, geographic area, family composition and group size may not be used without prior approval of Commissioner §6512.
Rating Restrictions	Index rate for a rating period for any class of business shall not exceed the index rate for any other class of business by more than 20%. For a class of business, the premium rates charged during a rating period to small employers with similar case characteristics shall not vary from the index rate by more than 25%. §6515
Transitional Period	3 years. §6515
Renewal Rating	
Renewability	Carriers may refuse to renew for failure to meet minimum participation levels and for "cause." §9
Whole Groups	Carriers must offer coverage to all eligible employees and dependents (may exclude if not living in the established service area). §7(A)
Continuity of Coverage	Pre-existing condition limitation of 12 months for past six months and pregnancy; credit given if a person was covered under qualifying previous coverage if previous coverage was continuous 60 days prior to new coverage. Late enrollees may be excluded from coverage for up to 18 months. §10
Reinsurance type	Prospective with opt-out.
Reinsurance Price	
Cost Sharing	
Assessments	
Other	Voluntary reinsurance program; carrier retains liability for the first \$5,000 and 10% thereafter, up to maximum of \$10,000 per year. Any net loss is assessed back to reinsuring carriers. If assessments for 2 consecutive years exceeds 5% of total premiums, Board may assess all carriers.
Effective Date	(9/1/92) July 1, 1996

	OREGON	PENNSYLVANIA
Availability	Guaranteed issue (1991 SB 1076) §6(4)	
Group Size	3-25 §3(25)	Not defined
Individual Policies	Applies to individual policies providing health benefits covering one or more employees of a small employer; provisions of OR 742.005 do not apply to individual policies subject to this law §5(1)(2)	Silent
Case Characteristics	Geography and differences in family size and composition §7(6)b	Silent
Rating Restrictions	Premium rates may not vary from the geographic average rate by more than 33% except that the premium rate may be adjusted to reflect the provision of additional benefits not covered by the basic health care plan and differences in family size and composition §7(6)b	The Department's policy prohibiting exclusion of individual at policy inception or for new entrants due to medical conditions in small group health policies was affirmed. <u>Insurance Federation of Pennsylvania, Inc. v. Foster</u> . Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §27-49-6(1,2)
Transitional Period	Effective on the date the reinsurance pool becomes operational §7(10)a	None
Renewal Rating	Trend plus 15% plus adjustments to reflect provision of benefits not required to be covered by basic health care plan §7(6)c(8)	Silent
Renewability	Guaranteed renewable except "for cause" §7(4)	Silent
Whole Groups	Prohibits carriers from excluding individuals on the basis of actual or expected health condition §7(3)	
Continuity of Coverage	Preexisting condition limitation of 6 months; credit shall be given if the person was covered under a previous group or individual plan if the previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §7(1)(2)	
Reinsurance Type	Prospective/with an opt-out §10,11	
Reinsurance Price	Existing business: none Whole Group: 150% Individual: 300% §11(8)a,b	
Cost Sharing	\$5,000 plus 15% of the next \$100,000 §11(7)d	
Assessments	Maximum assessment is 4% of small employer premium plus 1% of members' total health insurance premiums §11(12)a	
Other		
Effective Date	On or after the date the Oregon Small Employer Reinsurance Pool becomes operational	February 27, 1991

	RHODE ISLAND	SOUTH CAROLINA
Availability	Guaranteed issue (groups of 3-25) (1992 H 9011 Sub. A)	Guaranteed issue; basic and standard plans (SBN 541 §6 (4)(a))
Group Size	1-50 §27-49-4(AA)	2-50 (SBN 541 §6 (A))
Individual Policies	Generally applies to individual policies sold to small employers. §27-49-4	Does not apply to individual health policies subject to policy form and premium rate approval §38-71-930(A,B)
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premium; claims experience, health status, and duration of coverage are not case characteristics §27-49-3(F)	Age, gender, geography, industry and family composition; claims experience, health status, and duration of coverage are not case characteristics (SBN 541 §15 (5))
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §27-49-6(1,2)	Actuarial base rate for plans may be adjusted only to reflect case characteristics and family composition within a class of business. Adjustment due to class of business may not exceed 10% of actuarial base rate. (SBN 541 §20 (A)(1))
Transitional Period	3 years §27-49-6(7)	3 years (SBN 541 §20(3))
Renewal Rating	Trend plus 15% plus changes in case characteristics §27-49-6(3)b	Trend plus 10% plus changes in case characteristics, family composition. Policies issued before 1/1/95 may also factor claims experience, health status or duration of coverage up to 20% the first year, 10% the second year and 0% after the third year. §38-71-940(A)(2)(B)
Renewability	Guaranteed renewable except "for cause" §27-49-7	Guaranteed renewable except "for cause" §38-71-950
Whole group	Carriers are required to take the whole group §27-49-8c(5a)	Carriers are required to take whole group. (SBN 541 §6 (A)(2))
Continuity of Coverage	Plans must credit the time a person was covered by qualified previous coverage provided the coverage was continuous; qualified previous coverage is defined as Medicare, Medicaid, employer-based health insurance, or individual insurance providing similar or exceeding benefits. §27-49-8(c)	Preexisting condition limitations of 12 months; credit shall be given for time served under a prior plan if the coverage is selected when the person first becomes eligible and the coverage is continuous; service waiting periods are not considered to interrupt continuous service §38-71-730(4)
Reinsurance Type	Prospective with an opt out §27-49-11	Prospective/with an opt out (SBN 541 §9)
Reinsurance Price	Whole Group: 150% Individual: 500% §27-49-11(9)(2)	Whole group 150% Individual 500% (SBN 541 §11 (1)(2))
Cost Sharing	First \$5,000 of reinsured claims §27-49-11(9)(4A)	\$5,000 plus 10% of the next \$50,000 and a cap of \$10,000 per year. (SBN 541 §11 (4)(4)(a))
Assessments	5% of total premium earned in small employer market §27-49-11(1)(3c)	Board shall determine. Insurers may not have an assessment share less than 50% or more than 150% of the proportion of total premium earned the preceding year from small group plans (SBN 541 §11 (K)(2))
Other	Standard and economy health benefit plans are included within the law and are based on Rhode Island's lowest limited mandate, net net law, Copayment, deductibles, and coinsurance are outlined. §27-49-12	
Effective Date	July 21, 1992	January 1, 1992 (SBN 541 effective July 1, 1995)

	SOUTH DAKOTA	TENNESSEE
Availability	Guaranteed issue of standard and basic plans (effective 7/1/96). §58-18B	Guaranteed issue for standard and basic plans §56-7-2208(e) (1992 SB 2578)
Group Size	1-25 §58-18B-1(12) (1991 SDM 229)	3-25 §56-7-2203(24)
Individual Policies	Does not apply to individual health policies subject to policy form and premium rate approval. §58-18B-2	Generally applies to individual policies sold to small employers. Provisions of TCA, Title 56, Chapter 5, Part 3 do not apply to individual policies subject to this law. §56-7-2206(a,b)
Case Characteristics	No factors other than age, gender, industry, family composition and group size without prior approval of director. Relevant demographics of small employer as considered by carrier in determination of premiums. Claims experience, health status, and duration of coverage are not case characteristics. §58-18B-1(4) Industry may be used if the highest rate factor for industry doesn't exceed the lowest industry rate factor by more than 15%.	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §56-2203(b)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%. For a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. §58-18B-3(1,2). Rates for small employer may not exceed the rate for another small employer because of age alone by a factor of 3:1. §58-18B	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 25%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 35% §56-7-2209(b)
Transitional Period	5 years §58-18B-3(4)	3 years §56-7-2209(b)7
Renewal Rating	Trend plus 15% plus changes in case characteristics. §58-18B-3(3)	Trend plus 15% plus change in case characteristics §56-7-2209(b)3(B)
Renewability		Guaranteed renewable except "for cause" §56-7-2209(a)(3)
Whole Groups	Carriers are required to take whole groups. §58-18-49	Carriers are required to take whole groups.
Continuity of Coverage		Preexisting condition limitation of 12 months; plans shall credit the time person was covered under a previous group health benefit plan if previous coverage was continuous 30 days prior to the new coverage §56-7-2209(a)(1,2)
Reinsurance Type		Prospective/with an opt-out §56-7-2221(a)
Reinsurance Price		Whole Group: 150% Individual: 500% §56-7-2221(g)2(C)
Cost Sharing		\$5,000 plus 10% of the next \$50,000 §56-7-2221(g)2(C)
Assessments		Capped at 5% of small employer premiums; formula to be set by board but must be 50% to 150% of carrier's proportional share of all reinsuring carriers' small employer premiums §56-7-2221(h)2,4
Other		Guaranteed issue requirement suspended if assessment cap is reached §56-7-2221(h)4
Effective Date	July 1, 1992	July 1, 1992; January 1, 1993 for preexisting condition and guaranteed renewable provisions

	TEXAS	VERMONT
Availability	Guaranteed issue (9/1/95) §26.21 HB 2055 1993	Guaranteed issue §4080a(4)d(1)
Group Size	3-50 §26.01	1-49 §4080a(1)
Individual Policies	Generally applies to individual policies sold to small employers. §26.06	May not offer a health benefit plan or insurance policy to individual employees or members of a small group as a means of circumventing the act §4080a(4)h(3)m
Case Characteristics	Geography, age, gender, industry classification, number of employees and others. Claims experience, health status, medical history or pregnancy are not case characteristics. §26.01	The following risk classification factors are prohibited: demographic rating, including age and gender, geographic area rating, industry rating, medical underwriting and screening, experience rating, tier rating, or durational rating; Commissioner may by rule permit carriers to use one or more risk classifications §4080a(h)1
Rating Restrictions	Index rates shall not exceed another class by more than 20%; or within a class by more than 25%. (NAIC rate bands) §26.32	Premiums may not deviate by more than +/- 20% of the community rate filed by the small employer carrier §4080a(h)2
Transitional Period	May exceed ranges until 9/1/95.	In force business will not be subject to the provisions of the Act until the later of the date of renewal, anniversary, or July 1, 1992 §5112(6)b
Renewal Rating	Trend plus 15%.	No provision
Renewability	Guaranteed renewable except "for cause." §26.23	Must guarantee rates for six months; must guarantee acceptance §4080a(k)
Whole Groups		Carrier must take entire group §4080a(a)4(d)
Continuity of Coverage	Pre-ex may be excluded for 12 months if treatment sought within 6 months prior to coverage. Does not apply if individual was continuously covered for 12 months and only had a gap of 60 days. Credit given for any day coverage in effect during preceding 12 months. May establish waiting period up to 90 days.	Preexisting condition limitation of 12 months; limitation shall be waived if there is evidence of substantially equivalent continuous coverage during previous 9 months §4080a(g)
Reinsurance Type	Prospective with opt out §26.51-62	Prospective/mandatory for commercials; participants must guarantee solvency w/out limitation on a pro-rata basis §4080a(f)
Reinsurance Price	Whole Group: 150% Individual: 500% §26.59	No provision
Cost Sharing	\$5,000 plus 10% of the next \$50,000 with a \$10,000 cap per individual per year.	No provision
Assessments	5% cap. Must be 50%-150% of carrier's proportional share of all reinsuring carriers' small employer premium. §26.60	No provision
Other	Guaranteed issue is suspended if assessment cap is reached. Provides three mandated benefit packages which must be offered by 1/1/96; primary and preventive, in-hospital and standard. §26.62	Participation requirement = 75% of employees; most provisions do not apply to registered carriers who on 1/1/91 and thereafter have written or collected less than \$100,000 in annual gross premiums for group health benefit plans §4080a(1)h(3)1
Effective Date	September 1, 1993 (offering of the mandated plans does not begin until 1/1/96 and guaranteed issue isn't until 9/1/95).	July 1, 1992

	UTAH
Availability	Silent
Group Size	1-50 (SBM 158 - 31A-30-103 (15))
Individual Policies	
Case Characteristics	Age, gender, industry, geographic area, family composition and group size. Others need commissioner's approval. Duration of coverage, claim experience and health status may not be used. (31A-30-106.1 (d-j))
Rating Restrictions	Premium rates may not vary from the index rate by more than 25% for the same class of business. Adjustments for claims experience, health status and duration shall be applied uniformly to all members of small employer group. Would allow up to nine different classes of business (31A-30-106.1 (b))
Transitional Period	
Renewal Rating	
Renewability	Guaranteed renewable except "for cause" (31A-30-107.1)
Whole Groups	
Continuity of Coverage	Preexisting condition limitation of 12 months relating to conditions 6 months before coverage. Waiting periods must be waived for the period of time an individual was previously covered if that coverage was continuous 90 days before effective date of new coverage. The period of continuous coverage may not include a waiting period for the effective date of coverage applied. (31A-30-107.4)
Reinsurance Type	
Reinsurance Price	
Cost Sharing	
Assessments	
Other	
Effective Date	January 1, 1995

	VIRGINIA	WASHINGTON
Availability	Guaranteed issue.* §38.2-3431(D) (4/1/94)	(1993 SB 5304)
Group Size	2-25 for guaranteed issue, 2-49 for other reforms §38.2-3431(B)	Covers everyone. Employer and individual mandate. Requires residents to purchase a uniform benefit package from a certified health plan by 7/1/99.
Individual Policies	Extends to include individual policies §38.2-3431(A) (4/1/94)	
Case Characteristics	Based on a community rate on carriers combined claims for all groups subject to demographic rating including age, gender and geography. May not use claim experience, health status or duration. (4/1/94)	Family size and geography.
Rating Restrictions	Premium rates charged by a small employer may deviate above or below the community rate by no more than 20% for claim experience, health status and duration only during a rating period for such groups within similar demographics for the same or similar coverage. Rating factors, including case characteristics will be applied consistently with respect to all primary small employers in similar demographics. Adjustments in rates for claims experience, health status and duration from issue may not be applied individually.*	Community rating. Must provide benefits of the uniform privilege on a pre-paid per capital community rated premium not to exceed the maximum premium established by the commission and provide benefits through managed care.
Transitional Period	No provision	
Renewal Rating	No provision	
Renewability	Guaranteed renewable except "for cause" §38.2-3432(B)	
Whole Groups	Prohibits carriers from excluding individuals because of health status or based upon the nature of the employer's business §38.2-3432(1)(3)	
Continuity of Coverage	Preexisting condition limitation of 12 months; time shall be credited to a person covered under previous individual or group coverage in the small employer market of equal or greater value if coverage was continuous 30 days prior to new coverage, exclusive of applicable waiting periods. Late enrollees may be excluded for up to 18 months. §38.2-3432(1)(3)	After 1/1/94, every individual and group disability insurer HMO and health service contract is to waive any pre-existing condition, exclusion or limitation in 3 month period preceding effective date of coverage. If person met a 12 month waiting period in the preceding policy, insurer will waive pre-existing condition limitation.
Reinsurance Type	No provision	
Reinsurance Price	No provision	
Cost Sharing	No provision	
Assessments	No provision	
Other	Standard and essential plans (effective 7/1/93)	
Effective Date	April 1, 1994	Effective 7/1/93 except § 236-257 on 7/1/95 and §301 on 1/1/96.

	WEST VIRGINIA	WISCONSIN
Availability		Guaranteed issue (1992 A 655) §635.26
Group Size	2-59 §33-160-2	2-25 §635.20(12)a
Individual Policies	Does not apply to individual health policies subject to policy form and premium rate approval. §33-160-3	Applies to individual policies §635.02(8)
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums. Claims experience, health status, and duration of coverage are not case characteristics. §33-160-2	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §6305.05(2)(3), 635.18(4)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%. For a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%. §33-160-5	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate §635.05(1)
Transitional Period	5 years §33-160-5	3 years
Renewal Rating	Trend plus 15% plus changes in case characteristics. §33-160-5	Trend plus 15% plus changes in case characteristics §635.05(2)2
Renewability	Guaranteed renewable except "for cause." §33-160-7	Guaranteed renewable except "for cause" §635.07
Whole Groups		Insurer must offer coverage to the entire group §635.25(2)
Continuity of Coverage		Preexisting condition limitation of 12 months; credit shall be given to individuals who were previously covered by qualifying coverage if the coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §635.17
Reinsurance Type		Reinsurance type and assessments shall be studied by the Health Insurance Board §635.23
Reinsurance Price		No provision
Cost Sharing		No provision
Assessments		No provision
Other		
Effective Date	July 1, 1991	Day after publication

	WYOMING
Availability	Guaranteed issue §26-19-306
Group Size	2-25 §26-19-302(xxii)
Individual Policies	Does not apply to individual policies which are subject to approval for policy form. §26-19-303
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §26-19-302(vi)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §26-19-304
Transitional Period	3 years §26-19-304(a)viii
Renewal Rating	Trend plus 15% plus changes in case characteristics §26-19-304(a)iii(8)
Renewability	Guaranteed renewable except "for cause" §26-19-305
Whole Groups	Insurers are required to offer coverage to the entire group §26-19-306(c)vi
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given for time person was previously covered if previous coverage was continuous 30 days prior to new coverage, exclusive of applicable waiting periods, or for a person who become unemployed and are provided coverage if the person obtains employment and coverage within 60 days §26-19-306(c)i
Reinsurance Type	Prospective/mandatory §26-19-307
Reinsurance Price	Whole Group: 150% Individual: 500% §26-19-307(k)i,ii
Cost Sharing	\$5,000 §26-19-307(1)A,v
Assessments	Not to exceed 5% of the total small group premiums §26-19-307(n)A
Other	
Effective Date	No earlier than March 31, 1995

\* This is an outline of passed legislation. For a full understanding of the enactments, the text of the statutes cited should be consulted. This should not be used as a sole source.

COMPREHENSIVE SMALL EMPLOYER PACKAGES

	HIAA	HAIC
Availability	Guaranteed issue	Guaranteed issue (groups of 1 to ___) of all health benefit plans actively marketed to small employers in the state.
Group Size	2-50	1-
Individual Policies	Individual policies sold to small employer subject to Act; however, if state has effective rate regulation, the rating requirements do not apply. Group coverage should not extend to one-life groups.	Does apply to individual policies sold to small employers; although drafting note says that states may wish to consider exempting individual health policies from the rating provisions.
Case Characteristics	Modified community rating: family composition, geography, age, gender, size of employer, health improving behaviors, and other objective criteria; Rate variation based on health status, claims experience or any other factor is permitted, subject to strict limitations.	Small employer carriers may not use case characteristics other than geographic area, family composition, and age.
Rating Restrictions	Premium rates for small employer plans with similar case characteristics may not vary by more than +/- 25 percent from the modified community rate.	Age brackets must be at least in 5 year increments for ages 30-65 (separate rates allowed for those over 65). Adjustments to rates cannot be more than 400% of the lowest rate for all age groups for the first 2 years, 300% in the 3rd and 4th years and 200% after 5 years. ** These limitations are only one of several viable approaches. **  Premiums may not be adjusted more than annually to reflect changes in enrollment, family composition or the health benefit plan requested by the employer.
Transitional Period	3 years	5 years
Renewal Rating	Trend plus 15% plus changes in case characteristics	Trend
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Carriers must take the entire group	Carriers must take the entire group.
Continuity of Coverage	No pre-existing condition exclusions if coverage is continuous (has not lapsed more than 60 days), otherwise a 12 month exclusion is allowed. Up to an 18-month pre-existing condition exclusion may be imposed on late entrants if coverage has lapsed more than 60 days or if condition was not covered under prior coverage.	Plans may not deny, exclude or limit benefits for losses incurred more than 6 months due to a preexisting condition. Plans must credit the time a person was covered by qualified previous coverage provided the coverage was continuous at least 90 days prior to effective date; qualified previous coverage is defined as Medicare, Medicaid, employer-based health insurance, or individual insurance providing similar or exceeding benefits. Waiting periods for preexisting conditions of up to 12 months may be applied to late enrollees.
Reinsurance Type	Prospective/mandatory	Individual states will determine whether to make participation in reinsurance mandatory or voluntary.
Reinsurance Price	Whole Group: 150% Individual: 500%	Whole Group: 150% Individual: 500%
Cost Sharing	None	First \$5000 of reimbursed claims plus 10% of next \$50,000
Assessments	4% of the premium of small employer market net of reinsurance premium paid	5% of the premium of the small employer market
Other	Carriers may reinsure existing business and new entrants	
Effective Date		

**SB**

**179**

# Alaska State Senate

SENATOR STEVE RIEGER  
District I

Senate Finance Committee  
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee  
Administrative Regulation Review Committee  
Legislative Council

*During Session*  
State Capitol, Room 516  
Juneau, Alaska 99801  
(907) 465-3879

716 West 4th Avenue, Suite 510  
Anchorage, Alaska 99501  
(907) 258-8188

## Sponsor Statement

### SB 179 "An Act relating to escrow accounts; and providing for an effective date."

For large transactions such as a real estate transaction, the payment of money and the execution of the transfer documents are arranged to occur essentially simultaneously at a closing. The payment of the money and the recording of the transaction are commonly handled by an escrow agent.

However, payment at the closing is not necessarily true cash, but instead a solid-looking representation of cash such as a cashier's check, certified check, or money order. This is generally as good as cash, but in some cases the check cannot be converted to cash in the same day. The funds have to be collected through the action of standardized clearing processes, and the check cannot be converted to true cash until the next day, or even later.

Because of this, it is possible for title to property to change hands before the payment for that property is in the hands of the seller. If a stop order is placed or for some other reason the cash is not collected, the seller can be left out in the cold, having neither the property or the cash, and incurring costs of collection or other damages. It defeats the very purpose of using an escrow agent and having a closing.

SB 179 changes state law governing escrow money to assure that the documents which represent payment to the seller are backed by "good funds," meaning funds which are collected and available for conversion to cash at the same time the title documents are received by the buyer. It also assures that the transfer of title to property is not recorded unless all required payments under the escrow agreement are made with good funds.

This legislation is supported by the Alaska Association of Realtors and the Alaska State Escrow Association.

A M E N D M E N T

OFFERED IN THE SENATE

TO: SB 179

1 Page 4, line 16, following "insured by", through line 18:

2 Delete all material.

3 Insert "an agency of the federal government;"

4 Page 4, line 20:

5 Delete "Federal Home Loan Bank Board"

6 Insert "federal Office of Thrift Supervision"

# Alaska Statutes

## Title 6. Banks and Financial Institutions.

### Chapter

- 01. Administration (§§ 06.01.010 — 06.01.035, 06.01.045, 06.01.048)
- 05. Alaska Banking Code (§§ 06.05.005, 06.05.015, 06.05.045, 06.05.055 — 06.05.090, 06.05.100, 06.05.120, 06.05.130, 06.05.160, 06.05.166, 06.05.175, 06.05.185, 06.05.200 — 06.05.208, 06.05.210 — 06.05.245, 06.05.255 — 06.05.262, 06.05.270 — 06.05.310, 06.05.320 — 06.05.330, 06.05.342 — 06.05.360, 06.05.367, 06.05.380 — 06.05.399, 06.05.426 — 06.05.450, 06.05.462, 06.05.465 — 06.05.474, 06.05.480, 06.05.520, 06.05.530, 06.05.540, 06.05.550 — 06.05.570)
- 15. Mutual Savings Bank Act (§§ 06.15.240, 06.15.250)
- 20. Alaska Small Loans Act (§§ 06.20.260, 06.20.287, 06.20.320, 06.20.330)
- 25. Trust Companies (§§ 06.25.060, 06.25.085, 06.25.170, 06.25.320)
- 30. Alaska Savings Association Act (Repealed)
- 40. Premium Financing Act (§ 06.40.160)
- 45. Alaska Credit Union Act (§§ 06.45.010, 06.45.020, 06.45.060, 06.45.090, 06.45.110, 06.45.120, 06.45.140, 06.45.320, 06.45.330)

### Chapter 01. Administration.

Section	Section
10. Examination fees and assessments	35. Penalties
15. Examinations	45. [Repealed]
20. General powers of department	48. Regulations
25. Records of department	
30. Orders and injunctions; notice and hearings	

**Sec. 06.01.010. Examination fees and assessments.** (a) The expenses of the department reasonably incurred in the examination or investigation of all financial institutions or applications to establish financial institutions regulated by the department under this title shall be charged to and paid by each financial institution as provided in (b) and (d) of this section.

(b) Except for deposit institutions, the commissioner shall assess every financial institution and every applicant to establish a financial institution a fee for the actual expenses necessarily incurred by the department in connection with any examination or investigation, whether regular or special. The commissioner shall assess every de-

posit institution and every applicant to establish a deposit institution a fee for the actual expenses necessarily incurred by the department in connection with any special examination or investigation. A fee assessed under this subsection must include the proportionate part of the salaries and cost of employee benefits of the examiners while conducting examinations or investigations and while preparing reports of them, and transportation costs and per diem of each examiner while away from the examiner's duty station. The cost to the financial institution in connection with an examination may not exceed the actual cost to the department of the examination. The assessment shall be made by the commissioner as soon as feasible after the examination or investigation has been completed. The assessment must be received by the department within 30 days after receipt of notice of the assessment by the institution.

(c) *[Repealed, § 102 ch 26 SLA 1993.]*

(d) The commissioner shall adopt regulations providing for semiannual assessments of deposit institutions. An assessment must be based on the amount of assets of a deposit institution and must cover, but may not exceed, the aggregate cost of periodic examinations of the deposit institution.

(e) An exam fee or other charge assessed to a state financial institution under this section may not exceed a fee or other charge assessed for the same type of exam or service to a similarly situated federally-chartered financial institution.

(f) In this section "deposit institution" means a state financial institution that has obtained authority from the department to receive deposits of the type eligible to be insured by an agency of the federal government. (§ 42 ch 169 SLA 1978; am §§ 8, 9 ch 36 SLA 1990; am §§ 1, 2, 102 ch 26 SLA 1993)

**Effect of amendments.** — The 1990 amendment, effective May 12, 1990, rewrote subsection (b), added subsections (d)-(f), and made related stylistic changes.

The 1993 amendment, effective January 1, 1994, repealed subsection (c), sub-

stituted "state financial institution" for "state-chartered financial institution" in subsection (e), and substituted "a state financial institution" for "an institution chartered under this title" in subsection (f).

**Sec. 06.01.015. Examinations.** (a) Financial institutions regulated under this title are subject to at least one examination each year. The department may conduct additional examinations at its discretion.

(b) The department shall select one or more competent persons to make examinations of financial institutions. The examiner shall take and subscribe an oath that

(1) the examiner will honestly and impartially examine into and report the condition of the institution as to assets and liabilities and other information required by the department;

January 12, 1996

Senator Steve Rieger  
Alaska State Senate  
State Capital, Room 516  
Juneau, AK 99801



P.O. Box 262614, Anchorage, AK 99524-2614

Re: SB 179 - Good Funds

Dear Senator Rieger:

On behalf of the Alaska State Escrow Association I am writing in support of the proposed Senate Bill #179. The Alaska State Escrow Association is an association of settlement professional with members throughout all of Alaska. We are a member of the American Escrow Association, whose mission is to enhance the education of the escrow settlement professional; improve escrow settlement services; promote uniformity in such services and increase public knowledge and understanding of such services.

As escrow settlement professionals, we see this proposed legislation as a way to assure the public that their funds will not be jeopardized and will be available during the course of a real estate transaction. In most cases, a settlement agent provides a place for money and documents to be deposited and exchanged under certain conditions. A seller executes a deed to the property and deposits it into escrow with the understanding that he or she will receive the sale proceeds upon recording of the deed. Current business practice in Alaska generally requires that a buyer deposit a cashier's check prior to recording a deed to the property. The same is not required of lenders providing the purchase funds. The deed is recorded along with the lender's lien or deed of trust. The lender deposits the loan funds after the deed and deed of trust have been recorded. Although, on the surface, this may appear a reasonable business practice, it is potentially a volatile situation if the lender refuses or is unable to fund the loan with sellers and settlement agents caught in the middle. The seller's interest in the property has been relinquished yet the seller has received no sale proceeds nor have his or her existing liens been paid off.

The real estate lending industry is required to provide many disclosures to its borrowers, however most seller and borrowers alike have no idea of this current practice. The need for the good funds legislation is stronger than ever in the fast pace of today's business. With electronic mail and computer networks available, meeting the guidelines of this legislation should not cause undue hardship on any party.

We urge you to support this proposed legislation as we are convinced that its passage will provide consumers with the protection they deserve and the service they expect. Please feel free to call me at (800)770-0510 should you have any questions.

Sincerely,

D.J. Webb  
President  
Alaska State Escrow Association

MEMBER OF THE AMERICAN ESCROW ASSOCIATION



REALTOR®

ALASKA ASSOCIATION OF REALTORS, INC.  
741 Sesame Street, Suite 100 • Anchorage, Alaska 99503  
Telephone 907-563-7133 • Fax 907-561-1779

Senator Steve Reiger  
P O Box 110623  
Anchorage, AK 99511-0623

December 26, 1995

Dear Senator,

The Alaska Association of REALTORS®, with its over 1100 members state wide, joins with the Alaska State Escrow Association in support of SB179 "An act relating to escrow accounting, and providing for an effective date."

This legislation would assure the public that funds are in fact available to pay off a sellers existing loan upon recording of documents. Settlement agent policies and procedures will be standardized and clear to the real estate and lending community's. In addition Alaska statutes will parallel the statutes of most of the states in the Western U.S.

**AAR supports passage of SB179**

Sincerely,

Dea Turner  
Executive Vice President  
Alaska Association of REALTORS®





## *First American Title Company of Alaska*

510 W. TUDOR, SUITE 1 ANCHORAGE, ALASKA 99503 PHONE (907) 562-0510 FAX (907) 562-0173

January 3, 1996

RECEIVED JAN 5 1996

Senator Rieger  
State Capital  
Room 516  
Juneau, AK 99801

Dear Senator Rieger:

As President of First American Title Company of Alaska, I am in support of the new proposed Senate Bill 179 "An Act Relating To Escrow Accounts". The adoption of this Bill will greatly enhance the security of the escrow closing by making funds available prior to the exchange of property or payoff of loans. Additionally, this Bill will help maintain the cost of title insurance, and reduce claims, to the benefit of the public statewide.

Thank you for your support and assistance in this matter.

Sincerely,

Steve Jewett  
President



Since 1953

3201 C Street  
Suite 200  
Anchorage, Alaska  
99503-3994

Bus (907) 563-5500  
Fax (907) 762-3189

December 12, 1995

First American  
Lynn Hart  
510 West Tudor #1  
Anchorage, AK 99503

Re: Good Funds Legislation

Dear Lynn:

In our age of electronic mail and network capabilities it is more important than ever we have the "Good Funds" legislation. We no longer deal with just local lenders, but with national companies. Once documents record it can no longer be assumed that funding will happen immediately thereafter. Just a year ago I was dealing with such a situation.

An earnest money agreement was accepted and signed by both buyer and seller in October of 1994. The home was scheduled to close by mid December. After numerous delays, the sale finally recorded just before Christmas. After recording, the buyer went to the home and found a minor leak from ice dams in the foyer & breakfast area. He immediately called the out-of-state lender and asked them to halt funding.

Originally the buyer wanted the roof repaired, the wall torn apart and dried, any wet insulation replaced, then everything put back together. The seller felt it was not necessary to do such extensive repair for a minor ice dam.

When this information was given to the buyer, he said if the seller was not going to do the repairs to his specifications, he would only deed the property back to the seller after reimbursement of all costs he incurred during the purchase. The seller however had to continue making mortgage payments

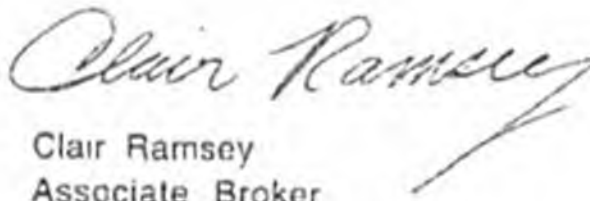
on a home he no longer had title to. Fortunately there was no damage, (i.e. fire, vandalism) that would have generated an insurance claim. We don't know whether the insurance covered the home when the seller wasn't in title but was still responsible for the house payments. The buyer held the property hostage and asking the seller to pay the ransom.

At this point attorneys got involved. It took two more months before they reached a compromise and resolved the issues. Until then the buyer held title to the property, but the seller was responsible for the previous mortgage, insurance payments, utilities and the property's safety.

The property was resold shortly after it was deeded back to the seller.

It was a nightmare come true for all concerned. It can still happen, even though we are aware of the loophole. There are many laws and standard procedures on the books to protect both buyers and sellers during the sales process. However, the real question is when is a deal a deal. Society and the real estate industry believe that once a transaction is recorded — it's over. Without the "Good Funds" legislation the chance for abuse is tremendous.

Sincerely,



Clair Ramsey  
Associate Broker

AMENDMENT

OFFERED IN THE SENATE

TO: SB 179

- 1 Page 4, line 16, following "insured by", through line 18:
- 2 Delete all material.
- 3 Insert "an agency of the federal government,"
  
- 4 Page 4, line 20:
- 5 Delete "Federal Home Loan Bank Board"
- 6 Insert "federal Office of Thrift Supervision"

**SB**

**184**

## ALASKA ACADEMY OF TRIAL LAWYERS

Analysis of SB 184/HB 316  
"CIVIL LIABILITY FOR FALSE CLAIMS AND IMPROPER PRACTICE"

SB 184/HB 316 presumably seeks to discourage frivolous or malicious litigation. The goal is salutary, but the bill is overly broad and will, itself, have the effect of fostering unnecessary litigation. The court already has a mechanism (Rule 11) to impose sanctions on litigants and attorneys who file pleadings that are not both (1) well grounded in fact, and (2) warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law. Section (a)(2) of the bill mirrors the existing language in Rule 11, and does not appear to add anything.

There are several problems with the remainder of the bill. First, Section (a)(1) prohibits a person from "knowingly or recklessly" filing a pleading with false or misleading allegations. The words "knowingly and recklessly" are misplaced. Everyone knowingly "files" pleadings. It is hard to imagine how someone could accidentally file a pleading. Presumably, the legislation's intent to prohibit filing a pleading which "knowingly or recklessly" makes false or misleading allegations. As written, the section makes no sense.

Even if the language in Section (a)(2) were corrected, it is unworkably overbroad. In any lawsuit, either the plaintiff's or defendant's pleadings contain allegations or defenses which, ultimately, are proved to be untrue. Only one side wins a case. This bill will simply invite "follow-up" litigation; every time a case has been concluded, in which the successful party will allege that the unsuccessful party knowingly or recklessly asserted their position. Taken to its logical conclusion, we could then have a second follow-up case in which the prevailing party in the first follow-up case sues the loser, alleging that he or she knowingly or recklessly filed false pleadings in that action. And, on and on.

Section (c) attempts to rewrite the law on the civil tort of malicious prosecution. Currently a litigant in a malicious prosecution claim has to prove: (1) that the claim was asserted without probable cause; and (2) that it was asserted for an improper purpose. The legislation seeks to break these two elements into the disjunctive, rather than the conjunctive, and permit a civil claim for wrongful prosecution on the basis of either (1) or (2), but does not require both. Why? Easing the requirements for a malicious prosecution claim presumably is intended to deter and scare off potential litigants. A lot of good claims likely will be deterred along with some bad ones, however.

The legislature should be careful about enacting legislation that closes the courthouse doors to litigants. To be sure, most defendants believe that they are wrongfully sued and, indeed, many are. The system already has at least three mechanisms in place to deter wrongful litigation: (1) the awarding of attorney's fees to the prevailing party; (2) the sanction provisions of the existing Rule 11; and (3) the existing civil cause of action for malicious prosecution. It is very doubtful that these existing tools are insufficient. The effect of this bill

is to hold a gun to the head of litigants and their counsel; if they fail to prevail they face the likelihood of being sued in a second action for having sought relief in the first. There is questionable wisdom in fostering "follow up" litigation in which the only dispute is how well someone behaved in another lawsuit. We should be trying to reduce, not increase, the workload of the courts.

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. SB 184

Revision Date: \_\_\_\_\_  
Title: An Act relating to civil liability for false  
claims and improper allegations or defenses ...  
Sponsor: Labor & Commerce by request  
Requestor: \_\_\_\_\_

Dept. Affected: Alaska Court System  
BRU: Trial Courts  
Component: \_\_\_\_\_  
CCOMPONENT SERIAL NO. 768

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	7.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES						
--------------------	--	--	--	--	--	--

Fund Source

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: None

Positions

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: C. S. Christensen III, Staff Counsel  
 Agency: Alaska Court System

Approved by: Arthur H. Snowden, II, Administrative Director  
 Agency: Alaska Court System

Phone: 264-8228  
 Date: 01/24/96  
 Date: 01/24/96

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

**SB**

**186**



# FACSIMILE TRANSMITTAL

Please Deliver Promptly

To: Sherman Egnoff

Fax Number: (907) 465-3756

From: Bill Ezzell - Deloitte + Touche LLP

Date: 2/7/96 Time: \_\_\_\_\_

Facsimile responses can be directed to 202/662-2417.

In case of error in transmission, call: 202/662-2400.

Operator: \_\_\_\_\_

Number of Pages (including cover sheet): 13

Comments and/or Special Instructions: \_\_\_\_\_

Attached is a copy of Senate bill 186 marked to show  
changes agreed to between the accountants and the  
Alaska Bankers Association.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Confidentiality notice: This page and any accompanying documents contain confidential information intended for a specific individual and purpose. This telecopied information is private and protected by law. If you are not the intended recipient, you are hereby notified that any disclosure, copying or distribution, or the taking of any action based on the contents of this information is strictly prohibited.

The Accountants Coalition • 1001 Pennsylvania Avenue, NW, Suite 860N • Washington, DC 20004  
 Tel.: 202/662-2400 • Fax: 202/662-2417

SENATE BILL NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION  
BY THE SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST

Introduced:  
Referred:

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to partnerships; amending Alaska Rules of Civil Procedure 20  
2 and 24; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 32.05.010(a) is amended to read:

5 (a) A partnership is an association of two or more persons to carry on as  
6 co-owners a business for profit, and includes a registered limited liability  
7 partnership.

8 \* Sec. 2. AS 32.05.030 is amended by adding a new subsection to read:

9 (e) A registered limited liability partnership shall hold title to all partnership  
10 property in the name of the registered limited liability partnership.

11 \* Sec. 3. AS 32.05.100 is amended to read:

12 Sec. 32.05.100. JOINT AND SEVERAL LIABILITY OF PARTNERS.

13 Except as provided in (b) of this section, all [ALL] partners are liable

14 (1) jointly and severally for everything chargeable to the partnership

1 under AS 32.05.080 and 32.05.090;

2 (2) jointly for all other debts and obligations of the partnership; but any  
3 partner may enter into a separate obligation to perform a partnership contract.

4 \* Sec. 4. AS 32.05.100 is amended by adding new subsections to read:

5 (b) A partner in a registered limited liability partnership that is in substantial  
6 compliance with AS 32.05.416 and 32.05.500 - 32.05.600 is not liable, directly or  
7 indirectly, including through indemnification, contribution, assessment, or other  
8 manner, for the debts, obligations, and liabilities of, or chargeable to, the partnership,  
9 whether in tort, in contract, or under another theory, that arise from negligence,  
10 wrongful acts, wrongful omissions, malpractice, or misconduct committed by another  
11 partner or by an employee or agent of the partnership

12 (1) while the partnership is a registered limited liability partnership; and

13 (2) in the course of the partnership business.

14 (c) The liability limitation in (b) of this section does not affect the liability of  
15 a partner in a registered limited liability partnership for the

16 (1) partner's own negligence, wrongful acts, wrongful omissions,  
17 malpractice, or misconduct;

18 (2) negligence, wrongful acts, wrongful omissions, malpractice, or  
19 misconduct in the course of the partnership business of a person under the partner's  
20 direct supervision and control; or

21 (3) loans, leases, and other ordinary commercial debts and obligations  
22 entered into by the partnership or by a partner with apparent authority to bind the  
23 partnership, even if the partner lacked actual authority or acted in breach of the  
24 partnership agreement or of a duty owed to the partnership or other partners, unless  
25 the creditor knew, or in the exercise of reasonable diligence should have known, that  
26 the partner was acting without actual authority or in breach of the partnership  
27 agreement or of a duty owed to the partnership or other partners.

28 (d) The liability limitation in (b) of this section may be waived by a registered  
29 limited liability partnership. The waiver may not be made unless made by the  
30 agreement of at least a majority in interest of the partners, or in a manner otherwise  
31 provided in a written partnership agreement. The waiver is valid and binding upon all

1 partners, and may be relied upon by a person dealing with the partnership under  
2 AS 32.05.040(a). The waiver may be modified or revoked by the agreement of at least  
3 a majority in interest of the partners, or in a manner otherwise provided in a written  
4 partnership agreement, except that the modification or revocation does not affect the  
5 liability of a partner for the debts, obligations, or liabilities incurred, created, or  
6 assumed by the partnership before the modification or revocation.

7 \* Sec. 5. AS 32.05.130 is amended to read:

8 Sec. 32.05.130. RULES DETERMINING RIGHTS AND DUTIES OF  
9 PARTNERS. The rights and duties of the partners in relation to the partnership shall  
10 be determined, subject to any agreement between them, by the following rules:

11 (1) each partner shall be repaid the partner's contributions, whether by  
12 way of capital or advances to the partnership property, and shares [SHARE] equally  
13 in the profits and surplus remaining after all liabilities, including those to partners, are  
14 satisfied; and, except as provided in AS 32.05.100(b), shall contribute towards the  
15 losses, whether of capital or otherwise, sustained by the partnership according to the  
16 partner's share in the profits;

17 (2) the partnership shall indemnify every partner in respect of payments  
18 made and personal liabilities reasonably incurred by the partner in the ordinary and  
19 proper conduct of its business, or for the preservation of its business or property;

20 (3) a partner who in aid of the partnership makes a payment or advance  
21 beyond the amount of capital that the partner agreed to contribute shall be paid interest  
22 from the date of the payment or advance;

23 (4) a partner shall receive interest on the capital contributed by the  
24 partner only from the date when repayment should be made;

25 (5) all partners have equal rights in the management and conduct of the  
26 partnership business;

27 (6) a partner is not entitled to remuneration for acting in the partnership  
28 business, except that a surviving partner is entitled to reasonable compensation for  
29 services in winding up the partnership affairs;

30 (7) a person may not become a member of a partnership without the  
31 consent of all the partners;

1                   (3) any difference arising as to ordinary matters connected with the  
2 partnership business may be decided by a majority of the partners; but an act in  
3 contravention of an agreement between the partners may not be done rightfully without  
4 the consent of all the partners.

5 \* Sec. 6. AS 32.05.290 is amended to read:

6                   Sec. 32.05.290. PARTNER'S RIGHT TO CONTRIBUTION FROM  
7 COPARTNERS AFTER DISSOLUTION. Where the dissolution is caused by the act,  
8 death, or bankruptcy of a partner, each partner is liable to the copartners for the  
9 partner's share of any liability created by a partner acting for the partnership as if the  
10 partnership had not been dissolved unless

11                   (1) the dissolution being by act of a partner, the partner acting for the  
12 partnership had knowledge of the dissolution; [OR]

13                   (2) the dissolution being by the death or bankruptcy of a partner, the  
14 partner acting for the partnership had knowledge or notice of the death or bankruptcy;  
15 or

16                   (3) the liability is for a debt, obligation, or liability for which the  
17 partner is not liable under AS 32.05.100(b).

18 \* Sec. 7. AS 32.05.310(d) is amended to read:

19                   (d) The individual property of a deceased partner is liable for the [ALL]  
20 obligations of the partnership incurred while the decedent was a partner and for which  
21 the partner is liable under AS 32.05.100 but subject to the prior payment of the  
22 decedent's separate debts.

23 \* Sec. 8. AS 32.05.350 is amended to read:

24                   Sec. 32.05.350. RULES FOR SETTLING ACCOUNTS FOLLOWING  
25 DISTRIBUTION. In settling accounts between the partners after dissolution, the  
26 following rules shall be observed, subject to any agreement to the contrary:

27                   (1) the assets of the partnership are

28                               (A) the partnership property;

29                               (B) the contributions of the partners as [NECESSARY FOR  
30 THE PAYMENT OF ALL THE LIABILITIES] specified in (4) [(2)] of this  
31 section;

1 (2) the liabilities of the partnership [SHALL] rank in order of payment  
2 as follows:

3 (A) those owing to creditors other than partners;

4 (B) those owing to partners other than for capital and profits;

5 (C) those owing to partners in respect of capital;

6 (D) those owing to partners in respect of profits;

7 (3) the assets shall be applied in the order of their declaration in (1) of  
8 this section to the satisfaction of the liabilities;

9 (4) except to the extent the liability of a partner is limited under  
10 AS 32.05.100(b),

11 (A) the partners shall contribute, as provided by  
12 AS 32.05.130(1), the amount necessary to satisfy the liabilities;

13 (B) [, BUT] if any, but not all, of the partners is [ARE]  
14 insolvent, or not being subject to process, refuses [REFUSE] to contribute, the  
15 other partners shall contribute their share of the liabilities, and, in the relative  
16 proportions in which they share the profits the additional amount necessary to  
17 pay the liabilities;

18 (5) an assignee for the benefit of creditors or any person appointed by  
19 the court may enforce the contributions specified in (4) of this section;

20 (6) a partner or the legal representative of a partner may enforce the  
21 contributions specified in (4) of this section, to the extent of the amount that the  
22 partner has paid in excess of the partner's share of the liability;

23 (7) the individual property of a deceased partner is liable for the  
24 contributions specified in (4) of this section;

25 (8) when partnership property and the individual properties of the  
26 partners are in the possession of a court for distribution, partnership creditors shall  
27 have priority on partnership property and separate creditors on individual property,  
28 saving the rights of lien or secured creditors as heretofore;

29 (9) where a partner has become bankrupt or the estate of a partner is  
30 insolvent the claims against the partner's separate property [SHALL] rank in the  
31 following order:

- (A) those owing to separate creditors;
- (B) those owing to partnership creditors;
- (C) those owing to partners by way of contribution.

\* Sec. 9. AS 32.05 is amended by adding a new section to read:

Sec. 32.05.405. **COMMERCE OUTSIDE THE STATE.** (a) A partnership that is formed and operates under an agreement governed by this chapter may conduct its business, carry on its operations, and has and may exercise the powers granted by this chapter in a state, territory, district, or possession of the United States or in a foreign country.

(b) It is the intent of this chapter that the legal existence of a partnership be recognized outside the boundaries of the state and that a partnership transacting business outside the state be granted the protection of art. IV, sec. 1, Constitution of the United States, subject to a reasonable requirement of registration.

(c) The liability of the partners in a partnership for the debts, obligations, and liabilities of the partnership shall at all times be determined solely and exclusively by the laws of this state.

(d) In this section, "partnership" means a partnership that is formed and operates under an agreement governed by this chapter.

\* Sec. 10. AS 32.05 is amended by adding new sections to read:

Sec. 32.05.414. **PARTNERS AS PARTIES TO ACTIONS.** A partner in a registered limited liability partnership or foreign limited liability partnership is not a proper party to a proceeding by or against the partnership if the object of the proceeding is to enforce or to recover damages for debts, obligations, or liabilities that are of the type that the partner is not liable for under AS 32.05.100(b) or 32.05.600(e), unless the debts, obligations, and liabilities are of the type for which the partner may be held liable under AS 32.05.100(c) or 32.05.600(e).

Sec. 32.05.416. **FINANCIAL RESPONSIBILITY.** (a) A registered limited liability partnership shall at all times have and maintain liability insurance or qualifying assets in an amount of value not less than \$1,000,000 to satisfy liabilities described in AS 32.05.100(b). To the extent the partnership maintains insurance that is subject to a deductible, it shall maintain qualifying assets in the deductible amount.

1 (b) A foreign limited liability partnership may conduct business in this state  
2 under AS 32.05.600 if during the period it is conducting business in this state it has  
3 and maintains liability insurance or qualifying assets in an amount of value not less  
4 than \$1,000,000 to satisfy liabilities that arise from

5 (1) acts or omissions in this state of the type described in  
6 AS 32.05.100(b); or

7 (2) other conduct for which the liability of partners is limited under the  
8 law of the jurisdiction in which the foreign limited liability partnership is organized.

9 (c) To the extent that a registered limited liability partnership or a foreign  
10 limited liability partnership maintains liability insurance or qualifying assets under the  
11 laws of another jurisdiction, the liability insurance or qualifying assets maintained  
12 under those laws satisfy (a) - (b) of this section if the amount of the insurance or  
13 assets is equal to or greater than the amount required by (a) - (b) of this section.

14 (d) In a court action against a registered limited liability partnership or foreign  
15 limited liability partnership in the courts of this state, upon request of a party to the  
16 court action and subject to an order of the court, the partnership shall provide a  
17 certification stating that the partnership is in compliance with this section, describing  
18 the method by which the partnership has complied with (a) - (c) of this section, and  
19 identifying the depository institution holding the qualifying assets or insurance carrier  
20 issuing the liability insurance specified in (a) - (c) of this section.

21 (e) If a registered limited liability partnership or foreign limited liability  
22 partnership fails to maintain the insurance or qualifying assets required by (a) - (c) of  
23 this section, the partners are jointly liable for the debts, obligations, and liabilities of  
24 the partnership, except that the aggregate amount for which the partners are jointly  
25 liable is limited to the amount of insurance or qualifying assets that would have been  
26 required to satisfy the requirements of (a) - (c) of this section.

27 (f) In this section, "qualifying assets" means

28 (1) cash, federally insured deposits of a bank or other financial  
29 institution, and obligations of the United States or one of its instrumentalities having  
30 a maturity of not more than one year, if the partnership segregates the cash, deposits,  
31 or obligations from other partnership property and specifically designates the cash,

1 deposits, or obligations for the exclusive purpose of satisfying liabilities described in  
2 AS 32.05.100(b); or

3 (2) a letter of credit issued by a federally insured depository institution  
4 for the benefit of persons in whose favor a judgment has been entered against the  
5 partnership arising from liabilities described in AS 32.05.100(b).

6 \* Sec. 11. AS 32.05.420 is amended to read:

7 Sec. 32.05.420. DEFINITIONS. In this chapter,

8 (1) "bankrupt" includes bankrupt under the Federal Bankruptcy Act or  
9 insolvent under any state insolvent act;

10 (2) "business" includes every trade, occupation, or profession;

11 (3) "conveyance" includes every assignment, lease, mortgage, or  
12 encumbrance;

13 (4) "court" includes every court and judge having jurisdiction in the  
14 case;

15 (5) "department" means the Department of Commerce and  
16 Economic Development;

17 (6) "foreign limited liability partnership" means a partnership that  
18 is formed and operates under an agreement governed by the laws of another  
19 jurisdiction and that is registered as a limited liability partnership in that  
20 jurisdiction;

21 (7) "partnership" includes a registered limited liability partnership  
22 unless the context indicates otherwise;

23 (8) ["PERSON" INCLUDES INDIVIDUALS, PARTNERSHIPS,  
24 CORPORATIONS, AND OTHER ASSOCIATIONS;

25 (6)] "real property" includes land and any interest or estate in land;

26 (9) "registered limited liability partnership" means a partnership  
27 that is registered in this state under AS 32.05.500 - 32.05.600 and that is formed  
28 and operates under an agreement governed by this chapter.

29 \* Sec. 12. AS 32.05 is amended by adding new sections to read:

30 ARTICLE 7. LIMITED LIABILITY PARTNERSHIPS.

31 Sec. 32.05.500. REGISTRATION REQUIRED. A partnership that is formed

1 and operates under an agreement governed by this chapter may register as a registered  
2 limited liability partnership by filing a registration document with the Department of  
3 Commerce and Economic Development.

4 Sec. 32.05.510. CONTENTS OF REGISTRATION DOCUMENT. (a) A  
5 registration document under AS 32.05.500 must provide

- 6 (1) the name of the partnership;  
7 (2) the address of the partnership's principal office, if the partnership's  
8 principal office is not located in this state;  
9 (3) the address of the partnership's registered office in this state;  
10 (4) the name and address of the partnership's registered agent in the  
11 state for the service of process;  
12 (5) a brief description of the partnership's business; and  
13 (6) a statement that the partnership is applying for registration.

14 (b) A registered limited liability partnership may include other information in  
15 the registration document.

16 Sec. 32.05.520. EFFECTIVE DATE AND DURATION OF REGISTRATION.  
17 Registration under AS 32.05.500 is effective immediately when the registration  
18 document is filed under AS 32.05.500. The registration remains effective until the  
19 earlier of the date when the partnership

- 20 (1) voluntarily withdraws its registration under AS 32.05.570; or  
21 (2) fails to file the report required under AS 32.05.530(a) within 30  
22 days after the partnership receives a notice from the department under  
23 AS 32.05.530(b).

24 Sec. 32.05.530. ANNUAL REPORT REQUIRED. (a) A registered limited  
25 liability partnership or foreign limited liability partnership shall file an annual report  
26 with the department that indicates any material changes from the information contained  
27 in the partnership's registration document filed under AS 32.05.500 or notice of foreign  
28 limited liability partnership filed under AS 32.05.600. The partnership shall file the  
29 report during the last 60 days of each calendar year that follows the calendar year  
30 when the registration document is filed under AS 32.05.500 or the notice of foreign  
31 limited liability partnership is filed under AS 32.05.600.

1 (b) If the department does not receive a report required by (a) of this section  
2 within the filing period, the department shall notify the partnership by certified mail,  
3 return receipt requested, that the department has not received the report.

4 Sec. 32.05.540. EXECUTION OF REGISTRATION DOCUMENT. A  
5 registration document filed under AS 32.05.500 or an annual report filed under  
6 AS 32.05.530 shall be executed by a partner authorized to execute the registration  
7 document or annual report.

8 Sec. 32.05.550. REGISTERED AGENT AND OFFICE. A registered limited  
9 liability partnership and a foreign limited liability partnership shall maintain in the  
10 state a registered office and an agent for the service of process.

11 Sec. 32.05.560. NAME. The name of a registered limited liability partnership  
12 must contain the words "Limited Liability Partnership," the abbreviation "L.L.P.," or  
13 the abbreviation "LLP," as the last words or letters of its name.

14 Sec. 32.05.570. VOLUNTARY WITHDRAWAL OF REGISTRATION. A  
15 registered limited liability partnership may withdraw its registration by filing with the  
16 department a written withdrawal notice that is signed by a partner authorized to  
17 execute the withdrawal notice.

18 Sec. 32.05.580. STATUS UNAFFECTED BY ERRORS OR SUBSEQUENT  
19 CHANGES. The registration status of a registered limited liability partnership is not  
20 affected by errors in the information provided in a registration application or by  
21 changes that occur in the information provided in the registration application after the  
22 application is filed.

23 Sec. 32.05.590. DEPARTMENT FORMS. The department may provide forms  
24 for registration under AS 32.05.500, for filing a report under AS 32.05.530, or for  
25 filing a notice of a foreign limited liability partnership under AS 32.05.600.

26 Sec. 32.05.600. FOREIGN LIMITED LIABILITY PARTNERSHIPS. (a)  
27 Subject to another statute that applies to or regulates the partnership and to  
28 AS 32.05.416, a foreign limited liability partnership may conduct business in this state.  
29 The partnership shall file with the department a notice of foreign limited liability  
30 partnership. The notice must state the information specified in AS 32.05.510(a)(1) -  
31 (5), the jurisdiction where it is formed and registered as a limited liability partnership.

1 and a statement that the partnership is filing the notice. The notice shall be executed  
2 by a partner authorized to execute it.

3 (b) The name of a foreign limited liability partnership must contain the words  
4 "Limited Liability Partnership," the abbreviation "L.L.P.," or the abbreviation "LLP,"  
5 as the last words or letters of its name, or other similar words or abbreviations that are  
6 required or permitted by the laws of the jurisdiction where it is formed and registered  
7 as a limited liability partnership.

8 (c) A foreign limited liability partnership may voluntarily withdraw its notice  
9 of foreign limited liability partnership by filing with the department a written  
10 withdrawal notice that is executed by a partner authorized to execute the withdrawal  
11 notice.

12 (d) A notice of foreign limited liability partnership is effective immediately  
13 when filed and remains effective until the earlier of the date when the partnership

14 (1) voluntarily withdraws the notice under (c) of this section; or

15 (2) fails to file the report required under AS 32.05.530(a) within 30  
16 days after the partnership receives a notice from the department under  
17 AS 32.05.530(b).

18 (e) The internal affairs of foreign limited liability partnerships, and the liability  
19 of partners for the debts, obligations, and liabilities of, or chargeable to, the  
20 partnership, are subject to and governed by the laws of the state where the partnership  
21 is formed as a limited liability partnership. This subsection is not intended to affect  
22 the choice of law applicable to the liability of the partnership or to the liability of  
23 partners for their own acts or omissions.

24 \* Sec. 13. AMENDMENT OF COURT RULES. AS 32.05.414, enacted by sec. 10 of this  
25 Act, amends

26 (1) Alaska Rule of Civil Procedure 20 because it effectively prohibits the  
27 joinder of a partner in a registered limited liability partnership as a party in certain civil  
28 actions; and

29 (2) Alaska Rule of Civil Procedure 24 because it effectively prohibits the  
30 intervention of a partner in a registered limited liability partnership as a party in certain civil  
31 actions.

1

\* Sec. 14. This Act takes effect July 1, 1995.

Proposed Amendments to Senate Bill 186

Dept: Department of Commerce and Economic Development  
Div: Banking Securities and Corporations  
Bill: SB 186  
Sponsor: Senate Labor & Commerce Committee  
Short Title: An Act Amending Alaska Rules of Civil Procedure 20 and 24

Amendments

Proposed: The department is recommending amendments to Section 12 in order to make the filing procedures consistent with its administration of Corporations, Limited Partnerships, and Limited Liability Companies. Suggested amendment to Section 14 is to allow the department to adopt regulations prior to the effective date.

**SECTION 12**

Sec. 32.05.510(a)(5) change this subsection to read:  
"the purpose for which the partnership is formed, which may be stated to be, or to include, the conduct of any or all lawful affairs for which a limited liability partnership may be formed under this chapter;"

[similar language in AS 10.06.208(2); AS 10.50.075(2)]

Sec 32.05.510(a) add new subsection to read:  
"the names and addresses of each general partner;"

[similar language in AS 10.32.11.010(a)(3)]

Sec 32.05.510(a) add new subsection to read:  
"a statement that the general partners agree to comply with the requirements of AS 32.05.416."

[added to ensure knowledge of and compliance with Sec. 32.05.416(a) of this Act]

Sec 32.05.510(a) add new subsection to read:  
"if an election has been made that the existence of the partnership will continue until a certain date or event, a statement of the election and the date or event."

[similar language in AS 10.50.075(4); AS 32.11.010(a)(4)]

Sec 32.05

add new section to read:

**"Disclosure of Partnership Purposes.** An application for registration under this chapter shall be accompanied by a separate statement of the codes, from the identification codes established under AS 10.06.870 which most closely describe the activities in which the corporation."

[similar language in AS 10.06.215; AS 10.50.078]

Sec. 32.05.520

add new subsection to read:

"elects to terminate its registration pursuant to the terms and conditions set out in the application for registration or the partnership agreement."

[similar language in AS 10.50.085(a)]

Sec. 32.05

add new section to read:

**"Partnership Agreement.** The partners of a limited liability partnership may adopt a partnership agreement for the partnership and may amend and repeal the agreement."

[similar language in AS 10.50.095; AS 32.11.840(a)(4)]

Sec 32.05.580

amend to read:

**"Name.** (a) The name of a limited liability partnership must contain the words "Limited Liability Partnership", the abbreviation "L.L.P." or the abbreviation "LLP".

(b) The name of a city, borough, or village may be used in a limited liability partnership name; however, the name may not contain the word "city", "borough", or "village", or otherwise imply that the partnership is a municipality.

(c) A person may not adopt a name that contains the words Limited Liability Partnership", the abbreviation "L.L.P." or the abbreviation "LLP", unless the person has been issued a certificate of registration under this chapter."

[similar language in AS 10.06.105; AS 10.50.020; AS 32.11.810]

Sec 32.05

add new section to read:

**"Distinguishable Names.** The name of a limited liability partnership must be distinguishable on the records of the department from

(1) the name of a limited liability partnership, limited liability company, limited partnership, or corporation organized under the laws of this state;

(2) the name the name of a foreign limited liability partnership, foreign limited liability company, foreign limited partnership, or foreign corporation authorized to transact business in this state;

(3) a name reserved or registered by the department under the provisions of this title and title 10."

[similar language in AS 10.50.025]

Sec. 32.05

add new section to read:

**"Right to Reserve Name.** The exclusive right to use a name may be reserved by a

(1) person intending to register a limited liability partnership and to adopt the name;

(2) person intending to register a foreign limited liability partnership under this chapter;

(3) a limited liability partnership or a foreign limited liability partnership registered under this chapter, that intends to change its name."

[similar language in AS 10.06.110; AS 10.50.030; AS 32.11.820]

Sec. 32.05

add new section, to read:

**"Application to Reserve Name.** Reservation of name in this chapter is made by filing an application with the department. If the department finds that the name is available for use by a limited liability partnership, the department shall reserve it for the exclusive use of the applicant for a period of 120 days."

[similar language in AS 10.06.115; AS 10.50.035; AS 32.11.820]

Sec 32.05

add new section to read:

**"Registration of Name.** (a) A foreign limited liability partnership, not intending to do business in this state, may register its name if the name is distinguishable on the records of the department.

(b) Registration of a name is made by filing with the department

(1) a signed application for registration setting out the name of the partnership, the state or territory under the laws of which it is formed, the date of it was formed; and

(2) proof from the jurisdiction where the partnership is formed indicating that the partnership was formed in that jurisdiction.

(c) The registration of a name under this section is effective until the close of the calendar year in which the application for registration is filed.

(d) The registration of a name under this section may be renewed each year by

(1) filing an application for renewal setting out the facts required in an original application; and

(2) filing proof of formation as required in the original application.

(3) An application for renewal shall be filed between October 1 and December 31 in each year. The renewal extends the registration for the following calendar year."

[similar language in AS 10.06.125; AS 10.50.040]

Sec 32.05

add new section to read:

**"Use of Nondistinguishable Name.** Registration or reservation under this chapter gives the person who has registered exclusive right to the use of the name. The person may enjoy the use of a name that is not distinguishable from the name to which the person has the exclusive right and the person has a cause of action for damages against a person who uses a name that is not distinguishable from the name to which the person has the exclusive right."

[similar language in AS 10.06.130; AS 10.50.043]

Sec. 32.05

add new section to read:

**"Change of Registered Office or Agent.** (a) A limited liability partnership may change its registered office, agent, or both, by filing with the department a verified signed statement that includes

- (1) the name of the partnership;
- (2) the address of its registered office;
- (3) the address of its new registered office if the registered office is to be changed;
- (4) the name of its registered agent;
- (5) the name of its new registered agent, if the registered agent is to be changed; and
- (6) a statement that the change was authorized by one or more of the partners.

(b) If the department finds that the verified statement complies with this chapter, the department shall file it in the department's office. The change becomes effective when the statement is filed."

[similar language in AS 10.06.165; AS 10.50.060; AS 32.11.830]

Sec.32.05

add new section to read:

**"Change or resignation of Registered Agent.** (a) A registered agent of a limited liability partnership may change the location of the agent's office from one address to another in this state. The agent may change the registered office for each partnership for which the person is acting as registered agent by filing in the department a statement setting out the name of the agent, the address of the agent's office before change, the address to which the office is changed, and a list of companies for which the person is the registered agent. The statement shall be executed by the registered agent in the individual name of the agent or, if the agent is a corporation, it shall be executed and verified by its president or vice-president. The statement shall be delivered to the department and the limited liability partnership and if the department finds that the statement complies with this chapter, the department shall file it. The change becomes effective when the statement is filed.

(b) A registered agent may resign by filing a written notice and an exact copy of the notice with the department. The written notice of resignation must set out the latest address of the principal office of the partnership and the name, and address of the general partners known by the agent. The department shall immediately mail a copy of the notice to the partnership at its principal office. The resignation becomes effective 30 days after the filing of the written notice, unless the partnership sooner appoints a successor registered agent."

[similar language in AS 10.06.170; AS 10.50.063; AS 32.11.830]

Sec. 32.05

add new section to read:

**"Service of Process.** (a) The registered agent of a limited liability partnership is an agent upon whom process, notice, or demand required or permitted by law to be served upon the partnership may be served.

(b) If a limited liability partnership fails to appoint or maintain a registered agent in this state, or if its registered agent cannot, with reasonable diligence, be found at the registered office, the commissioner is an agent of the partnership upon whom the process, notice or demand may be served. A person may serve the commissioner under this subsection by (1) serving on the commissioner or the designee of the commissioner a copy of the process, notice, or demand, with any papers required by law to be delivered in connection with the service, and a fee established by the department by regulation;

(2) sending to the partnership being served by certified mail a notice that service has been made on the commissioner under this subsection and a copy of the process, notice, or demand and accompanying papers; notice to the partnership shall be sent to

(A) the address of the last registered office of the partnership as shown by the records on file in the department; and

(B) the address, the use of which the person initiating the proceedings knows or, on the basis of reasonable inquiry, has reason to believe is most likely to result in actual notice; and

(3) filing with the appropriate court or other body, as part of the return of service, the return receipt of mailing and an affidavit of the person initiating the proceedings that this section has been complied with.

(c) The commissioner shall keep a record of processes, notices, and demands served upon the commissioner under this section.

(d) This section does not affect the right to serve process, notice, or demand required or permitted by law to be served upon a partnership in any other manner permitted."

[similar to language in AS 10.06.175; AS 10.50.065]

Sec. 32.05

add new section to read:

**"Amendment to Registration Document.** (a) A registration document under AS 32.05.500 is amended by filing an amended registration document with the department. The document must set out

(1) the name of the limited liability partnership;

(2) the date of the filing of the original document of registration;

(3) the amendment to the document.

(b) An amendment may be filed at any time for any proper purpose the partners determine.

(c) A restated registration may be executed and filed in the same manner as an amendment."

[similar to language in AS 10.50.100; AS 32.11.020]

Sec. 32.05.570

add new section to read:

**"Cancellation of Registration.** A registration of a limited liability partnership shall be canceled upon the dissolution and the commencement of winding up of the partnership. A notice of cancellation shall be filed with the department and must set out

(1) the name of the limited liability partnership;

(2) the date of filing of its initial registration;

(3) the reason for cancellation;

(4) the effective date, which must be a date certain, of cancellation if it is not to be effective upon the filing of the application; and

(5) other information the general partners determine."

[similar to language in AS 10.50.400; AS 32.11.030]

Sec. 32.05

add new section to read:

**"Involuntary Cancellation.** (a) A limited liability partnership's registration may be canceled involuntarily by the commissioner if

- (1) the partnership is delinquent six months in filing its biennial report or in paying a fee or penalty;
- (2) the partnership has failed for 30 days to appoint and maintain a registered agent in the state;
- (3) the partnership has failed for 30 days after change of its registered office or registered agent to file in the office of the commissioner a statement of the change; or
- (4) a misrepresentation of material facts has been made in the application, report, affidavit, or other document submitted under this chapter.

(b) A limited liability partnership's registration may not be canceled under this section unless the commissioner has given the partnership written notice of its delinquency, failure, or misrepresentation by certified mail addressed to its registered agent, registered office, or partners at the last known address as shown by the records of the commissioner. If the partnership fails, within 60 days after the notice is sent by certified mail, to contest the alleged delinquency, failure, or misrepresentation, it may be dissolved under (d) of this section.

(c) If, following a hearing, the commissioner determines the presence of delinquency, failure, or misrepresentation providing grounds for involuntary cancellation under this section, the partnership may appeal to the superior court. The court shall either sustain the commissioner or direct the commissioner to take action the court considers proper.

(d) If a limited liability partnership has given cause for involuntary cancellation and has failed to correct the neglect, omission, delinquency, or noncompliance as provided in this section, and there has not been a controlling order of the superior court, the commissioner shall cancel the partnership by issuing a certificate of involuntary cancellation containing a statement that the partnership has been canceled, the date, and the reason for which it was canceled. The original certificate shall be placed in the department files and a copy of it mailed to the partnership at its registered office or in care of its registered agent, at the last known address, as shown by the records of the commissioner. Upon the issuance of the certificate of involuntary cancellation, the existence of the partnership ceases, except as otherwise provided in this chapter, and its name shall be available to use and may be adopted by another limited liability partnership on a date that is six months or later after the cancellation.

(e) A limited liability partnership canceled under this section may be reinstated within two years from the date of the certificate of cancellation if it is established to the satisfaction of the commissioner that in fact there was no cause for the cancellation, or if the delinquency, failure, or misrepresentation resulting in cancellation has been corrected and payment made of double the amount delinquent along with the amount the partnership would have paid had it not been canceled during the two-year period. Reinstatement may not be authorized if the name of the partnership is not distinguishable upon the records of the department, unless the partnership being reinstated amends its registration to change its name to conform with the provisions of this chapter."

[similar to language in AS 10.06.633; AS 10.50.408]

Sec. 32.05.600

amend this section to read:

**"Foreign Limited Liability Partnerships.** (a) Subject to AS 32.05.416, before a foreign limited liability partnership conducts business in this state, it shall deliver to the department an application for registration.

(b) Subject to the constitution of this state, the law of the state or other jurisdiction under which a foreign limited partnership is formed governs the affairs of the partnership.

(c) The department may not deny registration to a foreign limited liability partnership because of differences between the law of this state and the law of the state or other jurisdiction under which the foreign limited partnership is formed."

[similar to language in AS 10.06.705; AS 10.50.600; AS 32.11.410]

Sec. 32.05

add new section to read:

**"Contents of Registration Application.** (a) An application for the registration of a foreign limited liability partnership must state

- (1) the name of the foreign limited liability partnership and, if different, the name the partnership proposes to use in this state;
- (2) the state or other jurisdiction where the partnership was formed, and the date of its formation;
- (3) the name and address of its registered agent;
- (4) that the department is appointed the agent of the partnership for service of process if the foreign limited liability partnership fails to appoint or maintain a registered agent;
- (5) the address of the office required by the state or other jurisdiction of the partnership's formation to be maintained in that state or other jurisdiction, or, if the state or other jurisdiction does not require an office to be maintained in that state or other jurisdiction, the principal office of the partnership;

(6) the purpose the partnership proposes to pursue in the conduct of its affairs in this state and the codes from the identification code established under AS 10.06.870 that most closely describe the activities in which the partnership will engage in this state; and

(7) the names and addresses of the general partners.

(b) In addition to the information required in (a) of this section, an application must include proof from the jurisdiction where the partnership was formed that indicates that the partnership was formed in that jurisdiction."

[similar to language in AS 10.06.730; AS 10.50.615; AS 32.11.420]

Sec. 32.05

add new section to read:

**"Name of Foreign Limited Liability Partnership.** The department may not file the application for registration of a foreign limited liability partnership unless the name of the partnership satisfies the requirements of AS 32.05.580. If the name under which a foreign limited liability partnership is formed does not satisfy the requirements of AS 32.05.580, the partnership may register under AS 32.05.600 if the partnership uses an assumed name that is available to the partnership under this chapter and that satisfies the requirements of AS 32.05.580."

[similar to language in AS 10.06.720; AS 10.50.620; AS 32.11.440]

Sec 32.05

add new section to read:

**"Amendment of Registration of Foreign Limited Liability Partnership.** (a) A foreign limited liability partnership may amend its registration by filing an amendment of registration with the department that is signed by a partner authorized to execute the amendment. (b) The amendment of registration filed by a foreign limited liability partnership must state the

- (1) name of the partnership;
- (2) date the original registration was filed
- (3) the amendment.

(c) The application for registration may be amended in any way if the application for registration as amended contains only provisions that this chapter allows to be contained in an application for registration at the time of amendment."

[similar to language in AS 10.06.738; AS 10.50.630; AS 32.11.450]

Sec. 32.05

add new section to read:

**"Revocation of Registration of Foreign Limited Liability Partnership.**

(a) The registration of a foreign limited liability partnership authorizing the partnership to conduct affairs in this state may be revoked by the commissioner if

(1) the partnership is delinquent six months in filing its biennial report or in paying a fee or penalty;

(2) the partnership has failed for 30 days to appoint and maintain a registered agent in the state;

(3) the partnership has failed for 30 days after change of its registered office or registered agent to file in the office of the commissioner a statement of the change; or

(4) a misrepresentation of material facts has been made in the application, report, affidavit, or other document submitted under this chapter.

(b) A foreign limited liability partnership's registration may not be revoked under this section unless the commissioner has given the partnership written notice of its delinquency, failure, or misrepresentation by certified mail addressed to its registered agent, registered office, or partners at the last known address as shown by the records of the commissioner. If the partnership fails, within 60 days after the notice is sent by certified mail, to contest the alleged delinquency, failure, or misrepresentation, it may be revoked under (d) of this section.

(c) If, following a hearing, the commissioner determines the presence of delinquency, failure, or misrepresentation providing grounds for revocation under this section, the partnership may appeal to the superior court. The court shall either sustain the commissioner or direct the commissioner to take action the court considers proper.

(d) If a foreign limited liability partnership has given cause for revocation and has failed to correct the neglect, omission, delinquency, or noncompliance as provided in this section, and there has not been a controlling order of the superior court, the commissioner shall revoke the partnership by issuing a certificate of revocation containing a statement that the partnership has been revoked, the date, and the reason for which it was revoked. The original certificate shall be placed in the department files and a copy of it mailed to the partnership at its registered office or in care of its registered agent, at the last known address, as shown by the records of the commissioner. Upon the issuance of the certificate of revocation, the foreign limited liability partnership's authority to transact business in this state ceases."

[similar to language in AS 10.06.743; AS 10.50.650]

Sec. 32.05

add new section to read:

**"Withdrawal of Foreign Limited Liability.** (a) A foreign limited liability partnership registered in this state may withdraw its registration by filing an application for withdrawal with the department.  
(b) An application for withdrawal filed by a foreign limited liability partnership must state  
(1) the name of the partnership and the state or other jurisdiction where the partnership was formed;  
(2) that the partnership is no longer conducting business in this state;  
(3) that the partnership is withdrawing,  
(4) that the partnership revokes the authority of its registered agent for service of process in this state and consents that service of process may subsequently be made on the partnership by service on the commissioner for a cause of action arising in this state during the time the partnership was registered in this state; and  
(5) an address for mailing a copy of the process to the partnership.  
(c) The application for withdrawal must be in the form and manner designated by the department and shall be signed on behalf of the foreign limited liability partnership by a partner authorized to execute the application for withdrawal."

[similar to language in AS 10.06.780; AS 10.50.660; AS 32.11.460]

Sec 32.05

add new section to read:

**"Conducting Affairs without Registration.** (a) A foreign limited liability partnership conducting affairs in this state may not maintain an action or other proceeding in a court of this state until it has registered in this state.  
(b) A foreign limited liability partnership that conducts affairs in this state without registration is subject to a civil penalty payable to the state not to exceed \$10,000 for each calendar year, including a partial year, the partnership conducts affairs in this state without being registered under this chapter. The civil penalty imposed may be recovered in an action brought in the superior court by the attorney general.  
(c) The failure of a foreign limited liability partnership to register in this state does not  
(1) impair the validity of a contract or act of the partnership;  
(2) affect the right of another party to a contract of the partnership to maintain a suit or proceeding on the contract; or  
(3) prevent the partnership from defending an action or other proceeding in a court of this state."

[similar to language in AS 10.06.710-10.06.715; AS 10.50.675-AS 10.50.700; AS 32.11.470]

Sec 32.05

add new section to read:

**"Transactions not Constituting Conducting Business.** The activities of a foreign limited liability partnership that are not considered to be conducting affairs in this state for the purposes of AS 32.05.600 include

- (1) maintaining, defending, or settling a court action or other proceeding or claim;
- (2) holding partnership meetings in this state;
- (3) maintaining bank accounts;
- (4) selling through independent contractors;
- (5) soliciting or procuring orders by mail, through employees, agents, or otherwise, if the orders require acceptance outside the state before becoming binding contracts;
- (6) creating as borrower or lender, or acquiring, indebtedness or mortgages or other security interests in real or personal property;
- (7) securing or collecting debts, or enforcing rights in property securing debts;
- (8) conducting an isolated transaction that is completed within 30 days and that is not part of a course of repeated transactions of a similar nature; or
- (9) conducting affairs in interstate commerce."

[similar to language in AS 10.06.718; AS 10.50.720]

Sec 32.05.530

amend this section to read:

**"Biennial Report Required.** A domestic limited liability partnership and a foreign limited liability partnership authorized to transact business in this state shall file a biennial report within the time established by this chapter."

[similar to language in AS 10.06.805; AS 10.50.750]

Sec 32.05

add new section to read:

**\* Contents of Biennial Report.** A biennial report must set out

- (1) the name of the partnership and the state or country where it was formed;
- (2) the address of the registered office of the partnership in this state, and the name of its registered agent in this state at that address, and, in the case of a foreign limited liability partnership, the address of its principal office in the state or country where it was formed;
- (3) the names and addresses of the partners."

[similar to language in AS 10.06.808; AS 10.50.755]

Sec 32.05

add new section to read:

**"Filing of Biennial Report.** (a) A biennial report required by AS 32.05.530 shall be filed with the department and is due before January 2 of the filing year. A domestic limited liability partnership and a foreign limited liability partnership authorized to transact business in this state registering during an even-numbered year shall file the biennial report each even-numbered year. A domestic limited liability partnership and a foreign limited liability partnership authorized to transact business in this state registering during an odd-numbered year shall file the biennial report each odd-numbered year. The biennial report is delinquent if not filed before February 1 of each odd or even numbered year as provided in this section.

(b) Proof to the satisfaction of the department that on or before February 1 the report was deposited in the United States mail in a sealed envelope, properly addressed with postage prepaid, is compliance with (a) in this section.

(c) The department shall file the report if it conforms to the requirements of this chapter. If the department finds that the report does not conform to the requirements of this chapter, the report shall promptly be returned to the partnership for necessary corrections."

[similar to language in AS 10.06.811; AS 10.50.760]

Sec. 32.05

add new section to read:

**"Submission of Documents to the Department.** When a document is required or allowed to be delivered to or filed with the department under this chapter, the person delivering the document shall deliver to the department the required fee, the original signed document, and an exact copy of the document."

[similar to language in AS 10.50.810]

Sec 32.05

add new section to read:

**"Filing of Documents by the Department.** (a) If the department determines that a document filed under this chapter conforms to the filing requirements of this chapter, the department shall

(1) Mark on the original signed document and on the exact copy the word "filed" and the date of the document's acceptance for filing;

(2) retain the exact copy in the department's files; and

(3) return the original signed document to the person who filed the document to that person's representative.

(b) The department may not file a document that does not meet the requirements of this section."

[similar to language in AS 10.06.910; AS 10.50.820]

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6-98

Central Microfilm Services  
Department of Education  
State of Alaska

Sec 32.05

add new section to read:

**"Filing of Biennial Report.** (a) A biennial report required by AS 32.05.530 shall be filed with the department and is due before January 2 of the filing year. A domestic limited liability partnership and a foreign limited liability partnership authorized to transact business in this state registering during an even-numbered year shall file the biennial report each even-numbered year. A domestic limited liability partnership and a foreign limited liability partnership authorized to transact business in this state registering during an odd-numbered year shall file the biennial report each odd-numbered year. The biennial report is delinquent if not filed before February 1 of each odd or even numbered year as provided in this section.

(b) Proof to the satisfaction of the department that on or before February 1 the report was deposited in the United States mail in a sealed envelope, properly addressed with postage prepaid, is compliance with (a) in this section.

(c) The department shall file the report if it conforms to the requirements of this chapter. If the department finds that the report does not conform to the requirements of this chapter, the report shall promptly be returned to the partnership for necessary corrections."

[similar to language in AS 10.06.811; AS 10.50.760]

Sec. 32.05

add new section to read:

**"Submission of Documents to the Department.** When a document is required or allowed to be delivered to or filed with the department under this chapter, the person delivering the document shall deliver to the department the required fee, the original signed document, and an exact copy of the document."

[similar to language in AS 10.50.810]

Sec 32.05

add new section to read:

**"Filing of Documents by the Department.** (a) If the department determines that a document filed under this chapter conforms to the filing requirements of this chapter, the department shall

(1) Mark on the original signed document and on the exact copy the word "filed" and the date of the document's acceptance for filing;

(2) retain the exact copy in the department's files; and

(3) return the original signed document to the person who filed the document to that person's representative.

(b) The department may not file a document that does not meet the requirements of this section."

[similar to language in AS 10.06.910; AS 10.50.820]

Sec 32.05

add new section to read:

**"Disapproval of Writing by Department: Appeal.** If the department fails to approve applications for registration, amendment, cancellation, or withdrawal or any other document required by this chapter to be approved by the department, the department shall within 10 days after the delivery of the document to the department, give written notice of disapproval to the person delivering the document, and specifying the reasons for disapproval. The person may appeal the disapproval to the superior court."

[similar to language in AS 10.06.915; AS 10.50.830]

Sec 32.05

add new section to read:

**"Filing and Other Fees.** The department shall charge fees established by the department by regulation adopted under AS 44.62 for

- (1) filing applications for registration;
- (2) filing amendments to registration;
- (3) filing applications for cancellation or withdrawal;
- (4) issuing a document not otherwise covered by this section;
- (5) furnishing a copy of a document;
- (6) accepting an application for reservation or registration of a name;
- (7) filing a statement of change of registered agent or registered office;
- (8) accepting service of a notice, demand or process upon the department;
- (9) filing another document allowed or required under this chapter."

[similar to language in AS 10.50.850]

## SECTION 14

add new section to read:

**"Transition: Regulations.** Notwithstanding sections ?? of this Act, the state agencies affected by this Act may proceed to adopt regulations necessary to implement changes in law enacted by this Act. The regulations take effect under AS 44.62, but not before the respective effective date of the change in law in this Act."

[section added in order for the department to promulgate regulations in time to meet the stated effective date of July 1, 1995]

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. SB 186

Revision Date: \_\_\_\_\_  
 Title: Limited Liability Partnerships  
 Sponsor: Senate Labor & Commerce  
 Requestor: Senate Labor & Commerce

Department: Commerce and Economic Development  
 BRU: Banking, Securities and Corporations  
 Component: Banking, Securities and Corporations

COMPONENT SERIAL NO. 1233

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	00	00	00	00	00	00

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>	800	840	1040	1090	1150	1210
---------------------------	-----	-----	------	------	------	------

**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	00	00	00	00	00	00

Estimate of any current year (FY 96) cost: \$ \_\_\_\_\_

**POSITIONS**

FULL-TIME	
PART-TIME	
TEMPORARY	

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

The revenue figures are based upon the current number of Limited Liability Companies that have filed with the State of Alaska under the Limited Liability Act since July 1, 1995. Using those figures, the department estimates that approximately 324 Limited Liability Partnerships (LLP) would file in FY 1997, and would increase at 5% per year. Starting in FY 99, the revenue figure anticipates additional revenue derived from biennial license renewal fees.



Prepared by: William F. Kirkpatrick, Director  
 Division: Banking, Securities and Corporations  
 Approved by Commissioner: William L. Hensley  
 Agency: Commerce and Economic Development

Phone: 465-2521  
 Date: 2-6-96  
 Date: 2-7-96

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**

For further distribution information, call the Governor's Legislative Office