

11930 SENATE LABOR & COMMERCE

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON OIL & GAS, MEMBER
SPECIAL COMMITTEE ON WAYS & MEANS, MEMBER

website: <http://www.akrepublicans.org/rokeberg/index.php>



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SESSION
ALASKA STATE CAPITOL
JUNEAU AK 99801-1182
PHONE (907) 465-4968
FAX (907) 465-2040

Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

SECTIONAL ANALYSIS FOR CSHB 169(FIN)

By: Representative Norman Rokeberg

Title: An Act relating to the educational requirements for certain real estate brokers, associate brokers, and salespersons with new or suspended licenses; relating to review of real estate transactions by attorneys or associate brokers; relating to the requirements for a real estate broker license and an associate broker license; and providing for an effective date.

- Section 1:** Requires a real estate licensee comply with education requirements before a suspended license can be reinstated.
- Section 2:** Makes conforming amendments.
- Section 3:** Makes a conforming amendment.
- Section 4:** Creates AS 08.88.095, new education requirements for a licensee after initial license:
- (a) An initial licensee has one year from the date of the initial license to complete 20 hours of education
 - (b) The initial license shall state that license is subject to education requirements
 - (c) Within 30 days after end of one-year period, licensee shall submit certification of education to Real Estate Commission
 - (d) After education requirements met, new license is issued without language in subsection (b)
 - (e) If licensee fails to complete education or submit certification, the license automatically lapses 30 days after the end of the one-year period
 - (f) An individual who is issued an initial broker license does not have to complete the post-licensing education requirements if they had an associate broker license immediately before the broker license.
 - (g) Defines "educational requirements"

Creates AS 08.88.098, educational requirements after suspension:

- (a) If a license is suspended for six months or more, the licensee shall complete the education required by the commission
- (b) The licensee shall submit certification that the educational requirements have been met
- (c) These education requirements are in addition to any other conditions for reinstating the license

Sectional Analysis

- Section 5:** Makes conforming amendments.
- Section 6:** Makes conforming amendments.
- Section 7:** Makes conforming amendments.
- Section 8:** Allows the Department of Commerce, Community and Economic Development to set a fee for the new license under AS 08.88.095(d).
- Section 9:** Makes conforming amendments.
- Section 10:** Provides that a real estate licensee, whose initial license lapses due to failure to complete the education requirements, is not eligible for an "inactive" license until the license is properly reinstated.
- Section 11:** Requires a real estate licensee, who has not held a license issued by another state for more than one year, to complete the post-education requirements before an Alaska license will be issued.
- Section 12:** Allows a real estate broker to hire an attorney or associate broker to review a real estate transaction before the transaction closes.
- Section 13:** Defines "initial license."
- Section 14:** Sets forth the applicability of the new educational requirements on "initial licenses."
- Section 15:** Allows the Department of Commerce, Community and Economic Development to proceed with adopting regulations regarding the new educational requirements.
- Section 16:** Provides an immediate effective date for the section on use of experts and adoption of regulations.
- Section 17:** Provides an effective date of January 1, 2006 for the sections on post-licensing education.

ALASKA STATE LEGISLATURE

House of Representatives

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FAX: (907) 465-2040

Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

SPONSOR STATEMENT FOR CSHB 169(FIN)

By: Representative Norman Rokeberg

Title: An Act relating to the educational requirements for certain real estate brokers, associate brokers, and salespersons with new or suspended licenses; relating to review of real estate transactions by attorneys or associate brokers; relating to the requirements for a real estate broker license and an associate broker license; and providing for an effective date.

HB 169 has been introduced at the request of the Alaska Association of Realtors. The legislation addresses changes to post-licensing education and broker supervision.

Post-Licensing Education

HB 169 requires a real estate licensee take 20 hours of post-licensing education within one year of receiving his/her initial license. The Education Task Force will develop the 20 hours of education. The classes will be devoted to practical applications on such topics as contracts and agreements, agency and disclosures, paperwork and risk management, evaluating, pricing and marketing, and financing to closing. Newly licensed associate brokers/brokers will also be required take 20 hours of post-licensing education. Their classes will be directed towards practical topics important for associate brokers/brokers. This post-licensing education requirement will help protect the public and real estate licensees through practical information vital to the practice of real estate.

Broker Supervision

Current law requires a real estate broker supervise every transaction. This is not practical in large real estate firms. In Anchorage, for example, 60% of the real estate transactions occur within three firms, with a total of four brokers. There is not enough time in the day for the four brokers to supervise every transaction and conduct all the other necessary duties of business ownership. HB 169 will allow brokers to employ associate brokers or attorneys to assist in the orderly review of real estate transactions prior to the closing of the transaction.

I urge your support of this legislation.

Sponsor Statement

HB

181

SENATE COMMITTEE REPORT

DATE: 4/29/05

FURTHER

DATE TURNED
IN TO OFFICE

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 181(L&C)

HB 181 WAIVE CONTINUING EDUC. REQ FOR MILITARY

"An Act authorizing a waiver for active duty military service of continuing education requirements for renewal of occupational licenses."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w' SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Ben Steens</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>Ralph Stearns</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 181(MLV)
 (H) Publish Date: 3/18/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: Waive Continuing Education RDU: Occupational Licensing (117)
Requirement for Military Component: Occupational Licensing
 Sponsor: Coghill
 Requester: House Military and Veterans' Affairs Component No.: 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1156)	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1156 - Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 181 establishes a waiver of continuing education requirements for renewal of occupational licenses for the period in which a licensee is engaged in active duty military service. This legislation has no fiscal impact on the operations of the division.

Prepared by: Rick Urion, Director Phone: (907) 465-2141
 Division: Occupational Licensing Date/Time: 3/17/05 11:24 AM
 Approved by: Edgar Blatchford, Commissioner Date: 3/17/2005
 Agency: Commerce, Community, and Economic Development

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 181(MLV)
 (H) Publish Date: 3/18/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Military and Veterans Affairs
 Title An Act establishing a waiver for active duty RDU Military and Veterans Affairs
military service of continuing education requirements Component Office of the Commissioner
 Sponsor Military and Veterans Affairs
 Requester (H) Military and Veterans Affairs Component No. 414

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 There is no fiscal impact.

Prepared by: John Cramer Phone (907) 465-4602
 Division: Division of Administrative Services Date/Time 3/8/05 1:54 PM
 Approved by: Commissioner Craig E. Campbell Date 3/8/2005
 Agency: Department of Military and Veterans Affairs

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 181
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Military and Veterans Affairs
 Title An Act establishing a waiver for active duty RDU Military and Veterans Affairs
military service of continuing education requirements Component Office of the Commissioner
 Sponsor Military and Veterans Affairs
 Requester (H) Military and Veterans Affairs Component No. 414

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 There is no fiscal impact.

Prepared by: John Cramer Phone (907) 465-4602
 Division Division of Administrative Services Date/Time 3/8/05 1:54 PM
 Approved by: Commissioner Craig E. Campbell Date 3/8/2005
 Agency Department of Military and Veterans Affairs

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LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Juneau, Alaska 99801-2105

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

HB 181

House Military & Veterans Affairs 3/17/05
House Labor & Commerce, 4/15/05

ALASKA STATE HOUSE OF REPRESENTATIVES

**Contact:**

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North Pole, AK 99705
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Session

(907)-465-3719
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State Capitol
Room 204

REPRESENTATIVE JOHN COGHILL

SPONSOR STATEMENT

HB 181 Continuing Education Waiver for Members of the Armed Forces of the United States

This legislation is introduced to eliminate the possibility of a professional licensee losing his or her license because of failure to fulfill statutory requirements for continuing education while serving on active duty.

Many professional license holders are full-time active duty military or members of reserve or auxiliary components of the armed forces. Oftentimes the men and women serving our country no longer have the ability to fulfill the educational requirements to maintain their specific license, registration, permit or certificate.

HB 181 provides a waiver of the educational requirements and allows the license holder to return to Alaska and have an extended period of time to fulfill the continuing education requirements without losing their license for non-compliance.

Sponsor Statement

HB

211

SENATE COMMITTEE REPORT

DATE: 4/21/03

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 211(FIN)

HB 211 DENTISTS; HYGIENISTS; BD OF DENTAL EXAM.

"An Act extending the termination date of the Board of Dental Examiners; and relating to dentists and dental hygienists."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
SCS House Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
CHAIR: <i>Ralph Perkins</i>	<input checked="" type="checkbox"/>			

ADS 2005 Legislative Issues House Bill 211 -- Fact Sheet

Bill # & Title: HB-211 "Dental Board Sunset Review"
Bill Sponsor: **Rep. (Mike Kelly)**, Fairbanks
Capitol Office 907-465-4976
866-465-4976
Capitol Fax 907-465-3883
Capitol Address State Capitol Rm 434
Juneau, AK 99801 + 1182

Purpose of bill:

This bill makes changes to the Dental Practice Law that will:

- ① allow the Alaska Board of Dental Examiners to **more expeditiously** approve licenses for **qualified new dental school graduates** who want to practice in Alaska. The changes in the bill will allow the board to **delegate** the performance of routine administrative functions to **appropriate, board designated**, staff within the Division of Occupational Licensing.
- ② Enhance the Alaska **Board** of Dental Examiners **authority to authorize** a dental hygiene license to **qualified applicants** under the existing "Licensure by credentials" criteria.
- ③ **Grant** the Alaska **Board** of Dental Examiners the **authority to "supervise an informal and confidential chemical dependency intervention program."**
And,
- ④ makes administrative **changes** to the "Dental radiological equipment" provision of the Dental Practice Law **necessary for a timely renewal process.**

Why needed:

- ① The present requirements commonly result in **long delays** from the time a **qualified applicant**, who has recently graduated from dental school, can receive their Alaska license and **begin practicing** in the state. The **Alaska Dental Society** has worked with the **Alaska Board of Dental Examiners** and the **Division of Occupational Licensing** to achieve consensus on these issues and to ensure that the process **continues to provide first and foremost for the safety and well being of the public.**
- ② The present requirements can cause **undue delay for fully qualified applicants** to become licensed, primarily because certain actions that can **appropriately be delegated** to a staff person are restricted to be done at quarterly board meetings. The **Alaska Dental Society** has worked with the **Board of Dental Examiners and the Alaska State Dental Hygiene Association** for consensus of all parties affected.
- ③ The **Alaska Board of Dental Examiners** is **one of the few dental regulatory boards** in the nation that **does not have the authority to refer dentists and**

ADS 2005 Legislative Issues House Bill 211 -- Fact Sheet

hygienists to participate in a **monitored program** for individuals that are either identified as having an **alcohol or chemical dependency problem**. The effectiveness of these types of programs at getting individuals who suffer from alcohol or chemical dependency of getting assistance **before they harm patients** or family members is greatly **enhanced** when **voluntary enlistment** is included. **The Alaska Dental Society** has worked with the **Board of Dental Examiners and the Division of Occupational Licensing** in developing a **consensus on the appropriateness** of granting the dental board this authority.

- ④ The original legislation inadvertently contained a provision that would require all machines in the state to be inspected during the same calendar year. The **original intent** was to have machines inspected once every five years, with a **rotational initial inspection** so that each machine would be inspected within on the fifth year. This provision corrects the bill to reflect the original intent and implementation of **effective and sustainable ongoing inspections**.

Supported by:

**Alaska Dental Society,
Alaska State Dental Hygiene Association,
Alaska Board of Dental Examiners,
Division of Occupational Licensing**

Opposed by:

Its supporters are aware of no groups or organizations that are opposed to, or can be expected to oppose this legislation.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 211
 (H) Publish Date: 4/4/05

Revision Date/Time (Note if correction): _____
 Title Dentists; Hygienists; Board of
Dental Examiners
 Sponsor Kelly
 Requester House Labor & Commerce
 Dept. Affected: Commerce
 RDU Occupational Licensing (117)
 Component Occupational Licensing
 Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services		90.5	90.5	90.5	90.5	90.5
Travel		12.1	12.1	12.1	12.1	12.1
Contractual		21.4	21.4	21.4	21.4	21.4
Supplies		0.1	0.1	0.1	0.1	0.1
Equipment		0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	124.1	124.1	124.1	124.1	124.1

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1156)	0.0	124.1	124.1	124.1	124.1	124.1
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services	0.0	124.1	124.1	124.1	124.1	124.1
TOTAL	0.0	124.1	124.1	124.1	124.1	124.1

Estimate of any current year (FY2005) cost: 124.1

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time					
Part-time					
Temporary					

ANALYSIS: (Attach a separate page if necessary)

The bill extends the Board of Dental Examiners to June 30, 2011. In accordance with AS 08.03.020, funding is extended one year following the termination date allowing the Board to conclude its affairs. FY 2006 funding is included in the Operating Budget request. The costs shown for subsequent fiscal years reflect the direct costs included in the FY 2006 budget. The bill also makes other amendments to AS 08.32 and AS 08.36 relating to dentists and dental hygienists. New funds are not required to implement the provisions of this bill.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144
 Division Occupational Licensing Date/Time 3/29 05 7:07 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/29/2005
 Agency Commerce, Community, and Economic Development



Alaska Dental Society, Inc.

9170 Jewel Lake Road, Suite 203
Anchorage, Alaska 99502-5390
(907) 563-3003 • FAX: 563-3009
akdental@alaska.net

The Honorable Mike Kelly
House of Representatives
State Capitol, Rm. 434
Juneau, AK 99801 + 1182

RECEIVED
MAR 29 2005

Dear Sir:


Thank you for your sponsorship of the Alaska Dental Society's legislation that is being incorporated into the Sunset Review of the Alaska Board of Dental Examiners, House Bill 211.

These changes incorporated in HB-211 were discussed and negotiated with representatives of the Board of Dental Examiners, the Division of Occupational Licensing and the Alaska State Dental Hygiene Association. Accordingly we have dubbed this bill the "consensus bill" because we proposed these changes with the consensus of all parties involved and affected.

We appreciate your willingness to undertake this critical legislation and your support for the Alaska Dental Society and its members across the state.

If we can be of any assistance, please don't hesitate to contact me.

Respectfully yours,


James R. Towle
Executive Director

September 1, 2004

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
BOARD OF DENTAL EXAMINERS

August 5, 2004

Audit Control Number

08-20031-04

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, agency, or program subject to the sunset review process. Currently under AS 08.03.010(c)(7), the Board of Dental Examiners is scheduled to terminate on June 30, 2005. If the legislature takes no action to extend the termination date, the board would be allowed one year in which to conclude its administrative operations. We recommend that the legislature extend the board's termination date to June 30, 2011.

The sunset review was conducted in accordance with generally accepted government audit standards. Fieldwork procedures utilized in the course of developing this report are set out in the Objectives, Scope, and Methodology section.

Pat Davidson, CPA
Legislative Auditor

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and Title 44 of the Alaska Statutes, we have reviewed the activities of the Board of Dental Examiners (BDE). As required by state law, the legislative committees of reference are to consider this report when considering whether to extend the termination date for BDE. Currently under AS 08.03.010(c)(7) the board will terminate on June 30, 2005. If the legislature does not extend the termination date for the board, BDE will have one year to conclude its administrative operations.

Objectives

Central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public interest.
3. To determine if the board has exercised appropriate regulatory oversight of licensed dentists and dental hygienists.

The assessment of the operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board.

Scope and Methodology

Under the direction and supervision of the Division of Legislative Audit, another auditor conducted the majority of this review. We followed professional standards to determine that the other auditor was independent and their work was competent and sufficient.

The major areas of our review were board proceedings, licensing, complaint investigation, and resolution functions for fiscal years ending June 30, 2001, 2002, and 2003. During the course of our examination we reviewed and evaluated the following:

- Applicable statutes and regulations related to the licensing of dentists and dental hygienists.
- Minutes of meetings of the Board of Dental Examiners.

- Annual reports issued by the Board of Dental Examiners.
- Complaints filed with the Department of Commerce, Community, and Economic Development, Division of Occupational Licensing.
- Reading and correspondence files maintained with the Department of Commerce, Community, and Economic Development, Division of Occupational Licensing.
- Interviews with employees of the Department of Commerce, Community, and Economic Development, Division of Occupational Licensing.
- Review of financial records related to the revenues generated and the operating costs incurred by BDE.
- Files related to applicants for, and holders of, licenses issued by BDE.

ORGANIZATION AND FUNCTION

The Board of Dental Examiners was established in 1955, through Alaska Statute 08.36.010. The board is made up of six licensed dentists, two licensed dental hygienists, and one public member. The dentists and dental hygienists must have been practicing in Alaska for the five years immediately preceding their appointment to the board. Alaska statute also requires that the public member not have direct financial interest in the occupation the board regulates. Board members are appointed by the governor and serve staggered terms for four years.

The powers of the board include:

- Examining and issuing licenses to qualified applicants.
- Hold hearings and order the disciplinary sanction of a person who violates this chapter, Alaska Statute 08.32, Alaska Statute 08.36 or a regulation of the Board.
- Adopting regulations ensuring that renewal of registration is contingent upon proof of continued professional competence by a licensed dentist or licensed dental hygienist.
- Provide the department with the requirements for proof of continued professional education.
- Issuing permits or certificates to licensed dentists and licensed dental hygienists who meet the standards determined by the board for specific procedures that require specific education and training.

Board of Dental Examiners

(as of June 30, 2004)

Robert E. Warren, Dentist, Chairman
James B. Blasingame, Public Member
Mary Ann Cerney, Dental Hygienist
David L. Eichler, Dentist
William Gerace, Dentist
Keith L. Gottlieb, Dentist
Rena L. Lehmann, Dental Hygienist
Rebecca Neslund, Dentist
Arne R. Pihl, Dentist

The board is responsible for safeguarding the public interest by ensuring the competence and integrity of those who hold themselves out to the public as dentists and dental hygienists. The board evaluates the qualifications of candidates, administers examinations, issues certificates and licenses to practice, promulgates rules of professional conduct, and takes disciplinary action.

Department of Commerce, Community, and Economic Development, Division of Occupational Licensing

The Department of Commerce, Community, and Economic Development, Division of Occupational Licensing, provides administrative and investigative assistance to the Board of Dental Examiners. Administrative assistance includes budgetary services and functions such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

REPORT CONCLUSIONS

In our opinion, the termination date for the Board of Dental Examiners should be extended. The board is operating in the public interest by effectively regulating the individuals who hold themselves out to the public as licensed dentists and dental hygienists.

The board has adopted regulatory changes and supported legislation that improved the board's oversight process and has promoted more effective regulation of licensed dentists and dental hygienists.

Alaska Statute 08.03.010(c)(7) requires the Board of Dental Examiners be terminated on June 30, 2005. If the legislature does not extend the termination date, the board will have a one-year "wrap-up" period to administratively conclude its operations. We recommend the legislature extend the termination date of the board until June 30, 2011.

Implementation of our recommendation would require the legislature to exercise some discretion permitted by state law. Alaska Statute 08.03.020(c) provides for the following:

A board scheduled for termination ... may be continued or reestablished by the legislature for a period not to exceed four years unless the board is continued or reestablished for a longer period ... [emphasis added]

Two factors influence our recommendation that the legislature extend the board to June 30, 2011. First, the board has operated effectively and in the public's interest over the past four years. Secondly, this extension would work towards smoothing out the number of boards and commissions that come under sunset in a particular year. Typically, there are four to six boards and/or commissions scheduled for a legislative sunset review; however, in 2005 there are 12 boards scheduled for sunset. Nonstandard extension dates will allow for a more even distribution of organizations going through the sunset process in any given year.

A ANALYSIS OF PUBLIC NEED D

The following analyses of board activities relate to the public-need factors defined in AS 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

The extent to which the board, commission, or program has operated in the public interest.

The board, through regulation of the licensure of dentists and dental hygienists, has provided the public with qualified professionals in the dental industry. The profession has adopted regulations related to continuing professional education to ensure licensees remain current in the field of dentistry and dental hygiene practice.

The board licenses applicants in two ways, by examination and by credentials. Licensure by credentials requires that the applicant document their previous work history as a dentist or dental hygienist as basis for receiving a state license to practice. In prior reports we have expressed concerns that licensure by credential has been unnecessarily cumbersome and difficult. The board adopted new and revised old regulations related to licensure by credentials that have made this process less restrictive. Further, the board adopted new regulations that expanded continuing education requirements and provided for the issuance of licenses in a more uniform and consistent manner.

The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters.

Regulations pertaining to background checks and administration of anesthetic agents were amended, both of which benefit the public by: (1) promoting the integrity and competence of dentists and dental hygienists; and, (2) allowing more efficient access to licensure by prospective applicants. Specifically, regulations were amended allowing dental hygienists to become licensed to administer a local anesthetic on the basis of practical work experience alone.¹ Previously, only individuals who passed an examination were allowed to administer anesthetic agents. The board also instituted change to both dental and dental hygienist regulations relating to background investigations, making it less expensive and time intensive for new graduates entering the dental profession.²

¹ 12 AAC 28.320

² The new regulation also applies to those individuals who have not previously held a dental license in any jurisdiction before the 90 days immediately preceding the date of application for licensure.

Annual reports for fiscal years ended June 30, 2001, 2002, and 2003 were submitted in a timely manner to the Division of Occupational Licensing.

As reflected by the schedule below, the board renews licenses in the odd-numbered fiscal years. This is reflected in the fluctuation of board revenues between each fiscal year. Even though FY 04 revenues will be significantly less compared to that of the prior year, the board's surplus carryover will be sufficient to cover costs, given anticipated FY 04 expenditures. The table summarizes financial information for the board for fiscal years 2001, 2002, and 2003:

State of Alaska Board of Dental Examiners FY 01 - FY 03 Schedule of License Revenues and Board Expenditures (Unaudited)			
	<u>FY 03</u>	<u>FY 02</u>	<u>FY 01</u>
Revenue	\$ 375,100	\$ 158,200	\$ 357,300
Direct Expenses			
Personal Services	88,800	112,400	74,900
Travel	14,600	14,100	15,700
Contractual	37,600	154,300 ³	65,000
Supplies	200	300	100
Equipment	-	-	-
Total Expenses	<u>141,200</u>	<u>281,100</u>	<u>155,600</u>
Indirect Expense	<u>50,700</u>	<u>53,000</u>	<u>45,500</u>
Total Expenses	<u>191,900</u>	<u>334,100</u>	<u>201,200</u>
Annual Surplus (Deficit)	<u>183,200</u>	<u>(175,900)</u>	<u>156,100</u>
Beginning Cumulative Surplus (Deficit)	(128,500)	47,400	(108,700)
Ending Cumulative Surplus (Deficit)	<u>\$ 54,700</u>	<u>\$ (128,500)</u>	<u>\$ 47,400</u>

³ The increase in contractual expenses is attributable primarily to two significant disciplinary hearings.

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Representative Mike Kelly *House District 7*

Explanation of Changes HB 211 v. CSHB 211(FIN) (24-LS0707A) (24-LS0707F)

Page 2, Line 8 – “approved by the board [AND], [BY] the American Dental Association”

The purpose of this amendment is to clarify greater flexibility in licensing authorities.

Page 7, Lines 2-9 – (4) satisfy one of the following:

(A) pass a clinical examination [GIVEN] approved by the [WESTERN REGIONAL EXAMINING] Board;

[(B) PASS A CLINICAL EXAMINATION GIVEN BY THE CENTRAL REGIONAL DENTAL TESTING SERVICE, INC., AFTER JANUARY 1, 2001;]

(B)[(C)] pass a specialty examination given by the Central Regional Examining Board;

or

(C)[(D)] be board certified by a specialty certification board recognized by the American Dental Association.

The purpose of this amendment is to allow the Board of Dental Examiners to approve any examination it deems appropriate for issuing a license.

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Representative Mike Kelly

House District 7

Sponsor Statement

HB 211

(24-LS0707\A)

House Bill 211 provides for the extension of the Board of Dental Examiners to June 30, 2011 as recommended by Legislative Audit #08-20031-04 dated August 5, 2004. The Audit states **"The board is operating in the public interest by effectively regulating the individuals who hold themselves out to the public as licensed dentists and dental hygienists."** The extension to 2011 is recommended by Legislative Audit to aid in **"smoothing out the number of boards and commissions that come under sunset in a particular year."**

House Bill 211 also includes several changes to the Dental Board Statutes that clean-up issues for the Board of Dental Examiners. The changes are further described as follows:

- Implements continuing education requirements for dental hygienists in an amount of 14 hours for the previous two years.
- Modifies inspection period for radiological equipment used in dentistry to five years from four years to better accommodate periodic inspections.
- Clarifies qualifications for licensure by more clearly identifying impairment **"that affects the applicant's ability to practice dentistry"**, and by adding a new section that provides an applicant **"has not been convicted of a crime that adversely reflects on the applicant's ability or competency to practice dentistry or that jeopardizes the safety or well-being of a patient"**
- Clarifies the requirements for specialty licensure by requiring that the applicant meet the qualifications for licensure as a dentist in Alaska, and passes an examination given by either the Western Regional Examining Board, Central Region Dental Testing Service, Central Region Examining Board, or that the applicant meet the qualifications for licensure as a dentist in Alaska, and be board

Sponsor Statement

certified by a specialty certification board which is recognized by the American Dental Association.

These changes were the result of a joint meeting with representatives from the Department of Occupational Licensing, Alaska Board of Dental Examiners, and Alaska Dental Society. The changes were also discussed with representatives of the Alaska State Dental Hygiene Association. All involved could not think of any opposition to these changes.

ADS 2005 Legislative Issues House Bill 211 – Fact Sheet

Bill # & Title: HB-211 "Dental Board Sunset Review"
Bill Sponsor: **Rep. (Mike Kelly)**, Fairbanks
Capitol Office 907-465-4976
866-465-4976
Capitol Fax 907-465-3883
Capitol Address State Capitol Rm 434
Juneau, AK 99801 + 1182

Purpose of bill:

This bill makes changes to the Dental Practice Law that will:

- ① **allow** the Alaska Board of Dental Examiners to **more expeditiously** approve licenses for **qualified new dental school graduates** who want to practice in Alaska. The changes in the bill will allow the board to **delegate** the performance of routine administrative functions to **appropriate, board designated**, staff within the Division of Occupational Licensing.
- ② **Enhance** the Alaska **Board** of Dental Examiners **authority to authorize** a dental hygiene license to **qualified applicants** under the existing "Licensure by credentials" criteria.
- ③ **Grant** the Alaska **Board** of Dental Examiners the **authority to "supervise an informal and confidential chemical dependency intervention program."**
And,
- ④ makes administrative **changes** to the "Dental radiological equipment" provision of the Dental Practice Law **necessary for a timely renewal process.**

Why needed:

- ① The present requirements commonly result in **long delays** from the time a **qualified applicant**, who has recently graduated from dental school, can receive their Alaska license and **begin practicing** in the state. The **Alaska Dental Society** has worked with the **Alaska Board of Dental Examiners** and the **Division of Occupational Licensing** to **achieve consensus** on these issues and to ensure that the process **continues to provide** first and foremost for the **safety and well being of the public.**
- ② The present requirements can cause **undue delay for fully qualified applicants** to become licensed, primarily because certain actions that can **appropriately be delegated** to a staff person are restricted to be done at quarterly board meetings. The **Alaska Dental Society** has worked with the **Board of Dental Examiners and the Alaska State Dental Hygiene Association** for consensus of all parties affected.
- ③ The Alaska **Board of Dental Examiners** is **one of the few** dental regulatory boards in the nation that **does not have the authority to refer dentists and**

HB

213

SENATE COMMITTEE REPORT

DATE: 5/1/05

FURTHER:

DATE TURNED
IN TO OFFICE: 5/3/05

Labor and Commerce Committee considered HOUSE BILL NO. 213

HB 213 ALCOHOL SERVER EDUCATION

"An Act relating to alcohol server education."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DPS	4/14/05			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Beth Ann Davis</i>	✓		↑	
<i>Ben Johnson</i>				
CHAIR: <i>Ralph Lewis</i>			✓	

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 213
 (H) Publish Date: 4/18/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
 Title: "An Act relating to alcohol server education." RDU: Alcohol Beverage Control Board
 Component: Alcohol Beverage Control Board
 Sponsor: Representative Ramras
 Requester: House Finance Committee Component No.: 2690

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Section 1 amends state law pertaining to alcohol server training to require a card demonstrating successful completion of the approved alcohol server education course.

Section 2 adds that upon completion of this training course, a written test has to be taken to show sufficient mastery of the subject of safely serving alcohol. An appropriate card will be issued by the course provider to reflect that the individual bearing the card has completed the course work and passed the written test. The card is valid for three years and may be renewed by passing another written test at that time. This means the alcohol server does not need to sit through the 4 to 5 hour training course every three years.

Passage of this legislation is not anticipated to have a fiscal impact on the Department of Public Safety.

Prepared by: Director Douglas B. Griffin Phone 907-269-0351
 Division: Alcoholic Beverage Control Board Date/Time 4/18/05 10:25 AM
 Approved by: Commissioner William Tandeske Date 4/18/2005
 Agency: Department of Public Safety

Representative Jay Ramras
Chair, House Resources
Chair, Economic Develop.

Tourism & Trade

House State Affairs

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House District 10

House of Representatives

Sponsor Statement

HB 213

HB 213 will work to make it easier for alcohol servers to maintain their livelihood by removing unnecessary coursework for those competent enough to pass their alcohol server education test.

HB 213 works to amend current laws and allow bartenders to renew their alcohol server education card, by passing a written test, demonstrating understanding of the course subjects. Previously, an alcohol server would have to take the alcohol server education course every three years.

Representative Jay Ramras
Co-Chair, House Resources
V-Chair, Economic Develop.
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House District 10

House of Representatives

Sectional Summary

HB 213/Renewal of Alcohol Server Education Cards Work Order 24-LS0753\A

Section 1. States that a person who sells or serves alcoholic beverages shall keep their alcohol server identification card on the licensed premises during work hours.

Section 2. Amends the requirement for renewing an alcohol server education card. Under this bill, a licensee, agent, or employee may renew their alcohol server education card by passing a written test demonstrating an understanding of the course subjects, without having to retake the whole four-hour course.

HB

216

SENATE COMMITTEE REPORT

DATE: 4/28/05

FURTHER: Finance

DATE TURNED
IN TO OFFICE:

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 216(L&C)(title am)

HB 216 INSURANCE RATES, FORMS, & FILING

"An Act relating to policy forms and rates that require filing; requiring the filing of certain rates, rating schedules, loss cost adjustments, and rating plans with the director of the division of insurance; establishing a procedure for the director of the division of insurance to obtain additional supporting information from an insurer for a filing; relating to an application for a rate other than that in an applicable rate filing; requiring prior approval for certain rating systems and the procedure for approving a filing; providing for the issuance of orders relating to nonconforming filings after a hearing; relating to the regulation of joint underwriting and joint reinsurance; relating to flex rating, relating to file and use, filing of rates, supplementary rate information, and supporting information; authorizing the director of the division of insurance to require prior approval; relating to form filing subject to prior approval and form filing subject to file and use; and providing for penalties relating to file and use."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
SCS House Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>			

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
ADMINISTRATION REGULATION REVIEW COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, VICE CHAIR

website: <http://www.akrepublicans.org/Anderson.htm>

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Representative Tom Anderson

email: Representative_Tom_Anderson@legis.state.ak.us

Date: April 27, 2005

To: Senate Labor & Commerce Committee

From: Representative Tom Anderson, Chair
House Labor & Commerce Committee 

Re: CSHB 216(L&C)(TITLE AM)

I respectfully request you schedule CSHB 216(L&C)(TITLE AM) – Property/Casualty Insurance Regulation for Committee consideration at your earliest convenience.

The bill is very similar to SB 168, with a minor title change, which occurred on the House Floor. The change in the bill title supports the interest of the bill and addressed specific concerns expressed by several House members. I would like to note that no other changes were made to the bill and the text is exactly similar to SB 168.

Thank you for your consideration of this request.

**Sectional Analysis
CSHB216**

Prepared by Rita Nowak
Property Casualty Insurance Association of America

Alaska House Bill 216
Sectional Analysis

Summary of Alaska House Bill 216

House Bill 216 proposes the following changes to the current property and casualty rate and form review process:

Flex-Rating

- Insurers would have the option of submitting rate filings excluding medical malpractice, workers' compensation, and assigned risk rates under a flex-rating procedure (a 10% band) without prior approval. Rate changes outside of the flex band would still be subject to prior approval.
- Advisory organizations would not have the option of submitting filings under the flex-rating approach.
- Impaired or insolvent insurers operating under a rehabilitation plan, an order of supervision, or an impaired financial condition would be precluded from submitting filings under the flex-rating procedure.
- Insurers submitting a rate filing for a new product or coverage will be precluded from submitting filings under the flex-rating procedure.

Form Filings

- Insurers would have the option of submitting form filings under a file and use approach with a thirty-day waiting period. When an insurer chooses this option, a signed self-certification form from an authorized company officer or a state filings manager stating that the filing complies with Alaska statutes must be included with the form filing. However, the Director would still have the authority to disapprove any form violating Alaska statutes. Insurers will be able to continue to submit form filings under the current prior approval provisions.
- The bill includes specific monetary penalties for insurers submitting materially false or misleading compliance certificates.

Consent to Rate (Section 4)

- Language was added to further explain the reasons(s) for the need to use a rate in excess of a filed rate for a specific risk.

Technical and Conforming Changes

- Technical and conforming changes were made to Title 21 to take into account the new provisions.

Following is a detailed sectional analysis of House Bill 216:

Section 1 AS 21.09.110(b)

This law specifies filing requirements for policy forms and rates requiring approval under Alaska Statutes § 21.39 (rates and rating organizations) and § 21.42 (insurance contracts).

Section 2 AS 21.39.040(a)

Rate filings are to be submitted under the specified filing procedures, AS § 21.39.041(prior approval), or AS §21.39.210(flex-rating), AS 21.39.220(file and use, filing of rates, supplementary rate information, and supporting information).

Alaska House Bill 216
Sectional Analysis

Section 3 AS 21.39.040(d)

This section pertains to the situation where an insurer does not provide sufficient information in its rate filing. The Director shall require the insurer to furnish specific information upon which the insurer supports the filing.

Section 4 AS 21.39.040(g)

Upon written application of an insured that states the reasons for unusual or extrahazardous characteristics not otherwise contemplated in a filed rating plan, an insurer may file a rate for use on a specific risk that exceeds a rate provided by an otherwise applicable filing.

Section 5 AS 21.39 (New Section: 21.39.041)

Except for workers compensation prospective loss cost filings and assigned risk pool rates by certain rating organizations, insurers and rating organizations must file medical malpractice, workers compensation, and assigned risk rating systems specified under Alaska law. Such filings must be made with the director for the purpose of review and approval prior to use.

Filings made pursuant to this requirement are subject to a 15-day waiting period before they become effective, but the director may extend the waiting period for up to an additional 15 days. If the waiting period is extended, the director must so notify the insurer or rating organization within the initial waiting period that additional time is required for consideration of the filing. If the director determines the filing meets the requirements of these provisions, it must be approved.

This law specifies such filings must include the effective date, or in the absence of a specific effective date, the insurer or rating organization may specify a reasonable period after approval for the filing to be effective.

Upon written application of the insurer or rating organization, the director may permit a filing to become effective before the expiration of the 15-day waiting period specified by this law. Filings are deemed to meet the requirements of Alaska law regarding rates and rating organizations unless the director disapproves the filing within the specified waiting period.

If a filing is not accompanied by the information supporting the filing, and the director does not have sufficient information to determine whether the filing is in compliance with applicable provisions of Alaska law, the insurer must be required to furnish the information supporting the filing. Under such circumstances, the waiting period will commence as of the date the required information is furnished. Such information may include the insurer or rating organization's experience or judgment, or the experience of other insurers or rating organizations, any interpretation of statistical data relied upon for the filing, and any other factors relevant to the filing.

When an insurer or rating organization fails to provide such information within 30 days of receiving the director's request, and upon receiving a written application for an extension of the waiting period submitted within the initial 30 day response period, the director may extend the waiting period for an additional 15 days. The director may deem an insurer or rating organization's failure to provide requested information as a request to withdraw the filing from further consideration.

If within the initial review period established by this law, the director determines a filing fails to meet the requirements of these provisions, the director must send the insurer or rating organization making the filing a written notice of disapproval. Such notice must indicate the

Alaska House Bill 216
Sectional Analysis

manner in which the filing fails to meet the requirements of this law and must specify the filing will not become effective.

Section 6 AS 21.39.050(c)

Additionally, if at any time subsequent to the review period provided established by these provisions, and after notice and hearing in accordance with this law, the director determines a filing does not meet the requirements of Alaska law, he or she must give each insurer or rating organization making the filing an order specifying the manner in which the filing fails to meet the requirements set forth by these provisions.

Section 7 AS 21.39.070(b)

Deviations permitted to be filed will remain effective for a period of at least one-year from the effective date unless, with the director's approval, the insurer withdraws the deviation or the deviation is otherwise terminated under specified provisions of Alaska law.

Section 8 AS 21.39.110(a)

This law specifies that groups, associations, or other organizations of insurers which engage in joint underwriting or joint reinsurance, are subject to Alaska law regarding rates and rating organizations, except those provisions regarding flex rating. Moreover, joint reinsurance is subject to provisions regarding examinations, penalties, and hearing procedures and judicial review under Alaska law regarding rates and rating organizations.

Section 9 AS 21.39 (New Sections: 21.39.210 and 21.39.220)

Section 21.39.210 (Flex-rating)

Unless a rate level change pertains to workers compensation, medical malpractice, or assigned risk plans, this law permits increases or decreases in an insurer's rate level to take effect without prior approval. However, such rate level changes must reflect a cumulative rate level increase or decrease for all coverages, calculated from the effective date to 12 months before the effective date, of not greater than 10 percent.

This law permits insurers to make multiple rate filings during any 12-month period if the cumulative rate level change, as calculated from the effective date to 12 months before the effective date, is not greater than 10 percent.

For policies governed under these provisions, filings producing rate level changes within the limitations specified by this law are effective without prior approval and may take effect on the date specified in the filing. However, such filings will not be effective earlier than the date the filing is received by the division. Rate level changes may not be applied to a policy until the beginning of the policy period.

Furthermore, filings submitted pursuant to these provisions must include exhibits showing the calculation of the overall rate level change and the insurer's expense provisions. Loss cost adjustment filings must include supporting information showing how the loss cost adjustment is calculated and the director may request additional information if he or she does not have adequate information upon which to determine whether the filing is in compliance with Alaska law regarding rates and rating organizations.

Filings made pursuant to these provisions are considered to be in compliance with Alaska's insurance laws. But, if the director determines the filing fails to meet the requirements of Alaska's insurance laws, he or she must issue an order specifying the specific provisions of

Alaska House Bill 216
Sectional Analysis

Alaska law the insurer has violated and identifying the reasons the filing is not in compliance. Moreover, the order must state a reasonable date on when the filing is no longer effective. Orders issued pursuant to these provisions do not affect any contract issued or made prior to the effective date of the order.

These provisions do not apply to rating organizations or impaired or insolvent insurers operating under a rehabilitation plan, order of supervision, or an impaired financial condition as determined by the director.

Section 21.39.220(New) (File and use, filing of rates, supplementary rate information, and supporting information)

Insurer rate level increases or decreases falling outside the limitations provided under AS 21.39.210(a) (flex rating), are subject to file and use provisions under this law, unless otherwise exempt under another provision of Alaska law regarding rates and rating organizations. Such rate filings must be submitted to the director under these file and use provisions. Where an insurer is operating under a rehabilitation plan, order of supervision or an impaired financial condition as determined by the director, rate filings must be submitted to the division under the prior approval provisions of Alaska law. Filings must also be submitted for new products or coverage introductions that do not have a rate on file under the file and use provisions.

Additionally, insurers must file all rates, supplementary rate information, and supporting information with the director at least 30 days prior to the proposed effective date of a filing. Such filings must be reviewed within 15 days, but that period may be extended for an additional 15 days if the director gives the insurer or rating organization notice within the initial 15 day period stating additional time for consideration of the filing is necessary. For purposes of this law, the waiting period is the 30-day period following the date the director receives the filing.

Filings made pursuant to these provisions must include an effective date, which may not be before the end of the waiting period. If the insurer or rating organization applies in writing, the director may permit the filing to become effective before expiration of the waiting period. Filings are deemed to meet the requirements of this law and to become effective unless disapproved within the waiting period. Additionally, the director must disapprove a rate if he or she determines it does not meet the requirement of Alaska's insurance laws.

If a filing is not accompanied by the information supporting the filing, and the director does not have sufficient information to determine whether the filing is in compliance with applicable provisions of Alaska law, the insurer will be required to furnish the information supporting the filing. Under such circumstances, the waiting period will commence as of the date the required information is furnished. Such information may include the insurer or rating organization's experience or judgment, or the experience of other insurers or rating organizations, any interpretation of statistical data relied upon for the filing, and any other factors relevant to the filing. When an insurer or rating organization fails to provide such information within 30 days of receiving the director's request, and upon receiving a written application for an extension of the waiting period, the director may extend the waiting period for an additional 15 days, if such application is made within the initial 30 day response period. Filings may be disapproved for failure to provide requested information during the response period. Notices of disapproval must indicate a reasonable future date on which the filing is to be considered no longer effective.

If, within the specified waiting period, the director finds a filing does not meet the requirements of Alaska law regarding rates and rating organizations, the director must send the insurer or rating organization which made the filing, written notice of disapproval. Such notice must specify the

Alaska House Bill 216
Sectional Analysis

manner in which the filing fails to comply with this law and must state a reasonable future date on which the filing is to be considered no longer effective.

Filings and supporting information will be open to public inspection after the director completes the review of the filing.

Section 10 AS 21.42.120(b)

Insurers and rating organizations must submit filings for prior approval under AS 21.42.123 (form filing subject to prior approval) or AS 21.42.125 (form filing subject to file and use).

Section 11 AS 21.42.120

This law permits the director to order an insurer or rating organization to submit a specific insurance document or form, or a type of insurance document or form for prior approval if the director believes such approval is necessary for the protection of the public.

Section 12 AS 21.42 (New Sections 21.42.123 and 21.42.125)

Section 21.42.123 (Form filing subject to prior approval)

Prior approval filings must be made at least 30 days before the effective date of such filing. At the conclusion of the 30-day period, the filed form is considered approved unless it has been affirmatively disapproved by order of the director before the end of the 30-day period. If the director approves the form before the end of the required 30-day period, such approval constitutes a waiver of the unexpired portion of the waiting period.

Additionally, the waiting period for approval or disapproval may be extended for up to an additional 30 days if the director gives the insurer or rating organization notice within the initial 30 day period. In the absence of a prior approval or disapproval, forms subject to an extended waiting period are deemed approved at the end of the extended period. However, the director may, at any time after the notice, and for cause shown, withdraw the approval.

Insurers or rating organizations may be required to revise a filing in order to meet the prior approval filing requirements under Alaska's insurance laws. If an insurer or rating organization fails to provide requested information within 30 days after such request by the director, or within an additional 15 day period granted upon the insurer or rating organization's written request, such failure will be deemed a request by the insurer or rating organization to withdraw the filing from further consideration.

Filings made pursuant to these provisions must state an effective date or otherwise specify a reasonable time period after approval for the filing to be effective. Furthermore, prior approval filings will be open to public inspection after such filings become effective.

Section 21.42.125 (Form filing subject to file and use; penalties)

File and use filings must be filed with the director for a waiting period of at least 30 days, but that period may be extended by the director or the insurer or rating organization for up to an additional 30 days if notice is given as required by this law. Such notice must be given within the initial 30 day period and the filing may become effective at the end of the waiting period unless disapproved by the director within the time of the waiting period.

Alaska House Bill 216
Sectional Analysis

Filings must state an effective date that must be after the waiting period but, upon the insurer or rating organization's written request, the director may permit a reviewed filing to become effective before the expiration of the waiting period.

File and use forms must include a signed compliance certificate certifying the filing complies with Alaska's insurance laws. Compliance certificates must be signed by an authorized officer of the filing organization or the organization's state filings manager and state that, to the best knowledge of the signor, the filing complies with applicable laws.

In addition to other penalties provided by law, if an insurer or rating organization submits a materially false or misleading compliance certificate, the director may require the organization to submit future form filings for prior approval. Moreover, a person violating these requirements regarding compliance certificates may also be subject to civil penalties of up to \$25,000 for each violation. Filings that do not include a signed compliance certificate will be reviewed under the prior approval procedure pursuant to Alaska law.

This law also permits the director to require insurers and rating organizations to provide additional information demonstrating that a file and use filing meets the requirements of Alaska's insurance laws, or the director may require such organizations to revise a filing to meet those requirements. The director must consider an insurer or rating organization's failure to provide information required pursuant to this provision as a request to withdraw the filing from further consideration. File and use filings will be open to public inspection after the filing becomes effective.

Section 13 AS 21.39.050(a)

This law also repeals AS 21.39.050(a) pertaining to the disapproval of filings.

Alaska State Legislature

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Representative Tom Anderson

District 19 - Anchorage

Sponsor Statement for CSHB 216(L&C)

Title: "An Act relating to insurance rate-making and form filing."

Under existing law property/casualty insurance rates and forms are subject to the insurance commissioner's prior approval before they may be put in place. While maintaining the insurance commissioner's authority to oversee rate changes, a key component of the bill is its creation of a percentage "flex band." HB 216 allows an insurer to make rate increases and decreases within the flex band without having to first obtain the insurance commissioner's prior approval. Rate changes outside of the flex band must be filed with the insurance commissioner for her review before the rates are put into effect. For forms, HB 216 gives the insurance company a choice. The insurer may seek the commissioner's prior approval, or the insurer may file the form with the commissioner for a period of time before the form is used.

HB 216 has three basic purposes. First, the bill will create an environment where insurers compete more vigorously on rates and products offered to consumers. Second, HB 216 will encourage insurers who are in the Alaska market to stay here and will attract new insurers to Alaska. This will result in more competition, which will give consumers more choices and more competitive prices. Third, HB 216 is in line with the national movement away from strict government price controls toward a more flexible, more competitively oriented system for the regulation of insurance rates and forms.

HB 216 is the result of discussions among insurance companies, agents and the Director of Insurance and her staff. The discussions started last July and have been ongoing over the past nine months. The participants in this effort used the flex-rating model law adopted by the National Conference of Insurance Legislators (NCOIL) as a starting point. Some elements of the NCOIL model were adopted – others were discarded. However, HB 216 is consistent with the NCOIL model's goal of modernizing state insurance regulation. We believe that HB 216 will create a more dynamic, more competitively oriented insurance market in Alaska. The competition on rates and forms that HB 216 will encourage will benefit Alaska insurance consumers.

I urge your support of HB 216.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 216(L&C)
 (H) Publish Date: 4/4/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Property/Casualty Insurance RDU Insurance (116)
Regulation Component Insurance
 Sponsor Labor & Commerce
 Requester House Labor & Commerce Component No. 354

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation relates to insurance rate-making and form filing, and does not financially impact the operations of the division.

Prepared by: Linda S. Hall, Director Phone 907-269-7900
 Division Insurance Date/Time 3/16/05 5:53 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/16/2005
 Agency Commerce, Community & Economic Development

Alaska State Legislature

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Representative Tom Anderson

District 19 - Anchorage

Sponsor Statement for HB 216

Title: "An Act relating to insurance rate-making and form filing."

Under existing law property/casualty insurance rates and forms are subject to the insurance commissioner's prior approval before they may be put in place. While maintaining the insurance commissioner's authority to oversee rate changes, a key component of the bill is its creation of a percentage "flex band." HB 216 allows an insurer to make rate increases and decreases within the flex band without having to first obtain the insurance commissioner's prior approval. Rate changes outside of the flex band must be filed with the insurance commissioner for her review before the rates are put into effect. For forms, HB 216 gives the insurance company a choice. The insurer may seek the commissioner's prior approval, or the insurer may file the form with the commissioner for a period of time before the form is used.

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I urge your support of HB 216.

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

SECTIONAL ANALYSIS FOR HB 216 BY: Representative Tom Anderson

This law modifies the following sections of Alaska Statutes: 21.09.110(joint underwriting or joint reinsurance); 21.39.040, 21.39.040(d) and 21.39.040(rate filings); 21.39.050(c)(disapproval of filings); 21.39.070(b)(deviations); 21.39.110(a)(joint underwriting or joint reinsurance); and 21.42.120(filing, approval of forms). It also adds the following sections to Alaska Statutes: 21.39.041(prior approval); 21.39.210(flex-rating); 21.39.220(file and use, filing of rates, supplementary rate information, and supporting information); 21.42.123(form filing subject to prior approval); and 21.42.125(form filing subject to file and use; penalties). Additionally, this law repeals 21.39.050(a) (disapproval of filings).

Section 1 AS 21.09.110(b)

This law specifies filing requirements for policy forms and rates requiring approval under Alaska Statutes § 21.39 (rates and rating organizations) and § 21.42 (insurance contracts).

Section 2 AS 21.39.040(a)

These provisions require each insurer to file every manual, minimum, class rate, rating schedule or rating plan, rating rule, and any modification thereto which an insurer proposes to use. However, such information is not required for marine risks which are not written according to manual rates or rating plans and commercial insurance for which the director of insurance authorizes an informational filing pursuant to this law. Filings submitted pursuant to these provisions must be in accordance with Alaska Statutes §§ 21.39.041(prior approval), 21.39.210(flex-rating), and 21.39.220(file and use, filing of rates, supplementary rate information, and supporting information). They must also state the proposed filing effective date and the character and extent of the coverage contemplated.

Section 3 AS 21.39.040(d)

Pursuant to AS 21.39.040(d), if the director has insufficient information to determine if a filing meets the requirements of this law, the director must require the insurer to furnish information supporting the filing.

Section 4 AS 21.39.040(g)

Upon written application of an insured that states the reasons for unusual or extra hazardous characteristics not otherwise contemplated in a filed rating plan, an insurer may file a rate for use on a specific risk that exceeds a rate provided by an otherwise applicable filing.

Section 5 AS 21.39 (New Section: 21.39.041)

Except for workers compensation prospective loss cost filings and assigned risk pool rates by certain rating organizations, insurers and rating organizations must file medical malpractice, workers compensation, and assigned risk rating systems specified under Alaska law. Such filings must be made with the director for the purpose of review and approval prior to use.

Filings made pursuant to this requirement are subject to a 15-day waiting period before they become effective, but the director may extend the waiting period for up to an additional 15 days. If the waiting period is extended, the director must so notify the insurer or rating organization within the initial waiting period that additional time is required for consideration of the filing. If the director determines the filing meets the requirements of these provisions, it must be approved.

This law specifies such filings must include the effective date, or in the absence of a specific effective date, the insurer or rating organization may specify a reasonable period after approval for the filing to be effective.

Upon written application of the insurer or rating organization, the director may permit a filing to become effective before the expiration of the 15-day waiting period specified by this law. Filings are deemed to meet the requirements of Alaska law regarding rates and rating organizations unless the director disapproves the filing within the specified waiting period.

If a filing is not accompanied by the information supporting the filing, and the director does not have sufficient information to determine whether the filing is in compliance with applicable provisions of Alaska law, the insurer must be required to furnish the information supporting the filing. Under such circumstances, the waiting period will commence as of the date the required information is furnished. Such information may include the insurer or rating organization's experience or judgment, or the experience of other insurers or rating organizations, any interpretation of statistical data relied upon for the filing, and any other factors relevant to the filing.

When an insurer or rating organization fails to provide such information within 30 days of receiving the director's request, and upon receiving written application for an extension of the waiting period submitted within the initial 30 day response period, the director may extend the waiting period for an additional 15 days. The director may deem an insurer or rating organization's failure to provide requested information as a request to withdraw the filing from further consideration.

If within the initial review period established by this law, the director determines a filing fails to meet the requirements of these provisions, the director must send the insurer or rating organization making the filing a written notice of disapproval. Such notice must indicate the manner in which the filing fails to meet the requirements of this law and must specify the filing will not become effective.

Section 6 AS 21.39.050(c)

Additionally, if at any time subsequent to the review period provided established by these provisions, and after notice and hearing in accordance with this law, the director determines a filing does not meet the requirements of Alaska law, he or she must give each insurer or rating organization making the filing an order specifying the manner in which the filing fails to meet the requirements set forth by these provisions.

Section 7 AS 21.39.070(b)

Deviations permitted to be filed will remain effective for a period of at least one-year from the effective date unless, with the director's approval, the insurer withdraws the deviation or the deviation is otherwise terminated under specified provisions of Alaska law.

Section 8 AS 21.39.110(a)

This law specifies that groups, associations, or other organizations of insurers which engage in joint underwriting or joint reinsurance, are subject to Alaska law regarding rates and rating organizations, except those provisions regarding flex rating. Moreover, joint reinsurance is subject to provisions regarding examinations, penalties, and hearing procedures and judicial review under Alaska law regarding rates and rating organizations.

Section 9 AS 21.39 (New Sections: 21.39.210 and 21.39.220)

Section 21.39.210 (Flex-rating)

Unless a rate level change pertains to workers compensation, medical malpractice, or assigned risk plans, this law permits increases or decreases in an insurer's rate level to take effect without prior approval. However, such rate level changes must reflect a cumulative rate level increase or decrease for all coverages, calculated from the effective date to 12 months before the effective date, of not greater than 10 percent.

This law permits insurers to make multiple rate filings during any 12-month period if the cumulative rate level change, as calculated from the effective date to 12 months before the effective date, is not greater than 10 percent.

For policies governed under these provisions, filings producing rate level changes within the limitations specified by this law are effective without prior approval and may take effect on the date specified in the filing. However, such filings will not be effective earlier than the division receives the date the filing. Rate level changes may not be applied to a policy until the beginning of the policy period.

Furthermore, filings submitted pursuant to these provisions must include exhibits showing the calculation of the overall rate level change and the insurer's expense provisions. Loss cost adjustment filings must include supporting information showing how the loss cost adjustment is calculated and the director may request additional information if he or she does not have adequate information upon which to determine whether the filing is in compliance with Alaska law regarding rates and rating organizations

Filings made pursuant to these provisions are considered to be in compliance with Alaska's insurance laws. But, if the director determines the filing fails to meet the requirements of Alaska's insurance laws, he or she must issue an order specifying the specific provisions of Alaska law the insurer has violated and identifying the reasons the filing is not in compliance. Moreover, the order must state a reasonable date on when the filing is no longer effective. Orders issued pursuant to these provisions do not affect any contract issued or made prior to the effective date of the order.

These provisions do not apply to rating organizations or impaired or insolvent insurers operating under a rehabilitation plan, order of supervision, or an impaired financial condition as determined by the director.

Section 21.39.220(New) (File and use, filing of rates, supplementary rate information, and supporting information)

Insurer rate level increases or decreases falling outside the limitations provided under AS 21.39.210(a) (flex rating), are subject to file and use provisions under this law, unless otherwise exempt under another provision of Alaska law regarding rates and rating organizations. Such rate filings must be submitted to the director under these file and use provisions. Where an insurer is operating under a rehabilitation plan, order of supervision or an impaired financial condition as determined by the director, rate filings must be submitted to the division under the prior approval provisions of Alaska law. Filings must also be submitted for new products or coverage introductions that do not have a rate on file under these file and use provisions.

Additionally, insurers must file all rates, supplementary rate information, and supporting information with the director at least 30 days prior to the proposed effective date of a filing. Such filings must be reviewed within 15 days, but that period may be extended for an additional 15 days if the director gives the insurer or rating organization notice within the initial 15 day period stating additional time for consideration of the filing is necessary. For purposes of this law, the waiting period is the 30-day period following the date the director receives the filing.

Filings made pursuant to these provisions must include an effective date, which may not be before the end of the waiting period. If the insurer or rating organization applies in writing, the director may permit the filing to become effective before expiration of the waiting period. Filings are deemed to meet the requirements of this law and to become effective unless disapproved within the waiting period. Additionally, the director must disapprove a rate if he or she determines it does not meet the requirement of Alaska's insurance laws.

If a filing is not accompanied by the information supporting the filing, and the director does not have sufficient information to determine whether the filing is in compliance with applicable provisions of Alaska law, the insurer will be required to furnish the information supporting the filing. Under such circumstances, the waiting period will commence as of the date the required information is furnished. Such information may include the insurer or rating organization's experience or judgment, or the experience of other insurers or rating organizations, any interpretation of statistical data relied upon for the filing, and any other factors relevant to the filing. When an insurer or rating organization fails to provide such information within 30 days of receiving the director's request, and upon receiving a written application for an extension of the waiting period, the director may extend the waiting period for an additional 15 days, if such application is made within the initial 30-day response period. Filings may be disapproved for failure to provide requested information during the response period. Notices of disapproval must indicate a reasonable future date on which the filing is to be considered no longer effective.

If, within the specified waiting period, the director finds a filing does not meet the requirements of Alaska law regarding rates and rating organizations, the director must send the insurer or rating organization, which made the filing, written notice of disapproval. Such notice must specify the manner in which the filing fails to comply with this law and must state a reasonable future date on which the filing is to be considered no longer effective.

Filings and supporting information will be open to public inspection after the director completes the review of the filing.

Section 10 AS 21.42.120(b)

Insurers and rating organizations must submit filings for prior approval under AS 21.42.123 (form filing subject to prior approval) or AS 21.42.125 (form filing subject to file and use).

Section 11 AS 21.42.120

This law permits the director to order an insurer or rating organization to submit a specific insurance document or form, or a type of insurance document or form for prior approval if the director believes such approval is necessary for the protection of the public.

Section 12 AS 21.42 (New Sections 21.42.123 and 21.42.125)

Section 21.42.123 (Form filing subject to prior approval)

Prior approval filings must be made at least 30 days before the effective date of such filing. At the conclusion of the 30-day period, the filed form is considered approved unless it has been affirmatively disapproved by order of the director before the end of the 30-day period. If the director approves the form before the end of the required 30-day period, such approval constitutes a waiver of the unexpired portion of the waiting period.

Additionally, the waiting period for approval or disapproval may be extended for up to an additional 30 days if the director gives the insurer or rating organization notice within the initial 30 day period. In the absence of a prior approval or disapproval, forms subject to an extended waiting period are deemed approved at the end of the extended period. However, the director may, at any time after the notice, and for cause shown, withdraw the approval.

Insurers or rating organizations may be required to revise a filing in order to meet the prior approval filing requirements under Alaska's insurance laws. If an insurer or rating organization fails to provide requested information within 30 days after such request by the director, or within an additional 15 day period granted upon the insurer or rating organization's written request, such failure will be deemed a request by the insurer or rating organization to withdraw the filing from further consideration.

Filings made pursuant to these provisions must state an effective date or otherwise specify a reasonable time period after approval for the filing to be effective. Furthermore, prior approval filings will be open to public inspection after such filings become effective.

Section 21.42.125 (Form filing subject to file and use; penalties)

File and use filings must be filed with the director for a waiting period of at least 30 days but that period may be extended by the director or the insurer or rating organization for up to an additional 30 days if notice is given as required by this law. Such notice must be given within the initial 30 day period and the filing may become effective at the end of the waiting period unless disapproved by the director within the time of the waiting period.

Filings must state an effective date that must be after the waiting period but, upon the insurer or rating organization's written request, the director may permit a reviewed filing to become effective before the expiration of the waiting period.

File and use forms must include a signed compliance certificate certifying the filing complies with Alaska's insurance laws. Compliance certificates must be signed by an authorized officer of the filing organization or the organization's state filings manager and state that, to the best knowledge of the signor, the filing complies with applicable laws.

In addition to other penalties provided by law, if an insurer or rating organization submits a materially false or misleading compliance certificate, the director may require the organization to submit future form filings for prior approval. Moreover, a person violating these requirements regarding compliance certificates may also be subject to civil penalties of up to \$25,000 for each violation. Filings that do not include a signed compliance certificate will be reviewed under the prior approval procedure pursuant to Alaska law.

This law also permits the director to require insurers and rating organizations to provide additional information demonstrating that a file and use filing meets the requirements of Alaska's insurance laws, or the director may require such organizations to revise a filing to meet those requirements. The director must consider an insurer or rating organization's failure to provide information required pursuant to this provision as a request to withdraw the filing from further consideration. File and use filings will be open to public inspection after the filing becomes effective.

Section 13 AS 21.39.050(a)

This law also repeals AS 21.39.050(a) pertaining to the disapproval of filings.



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance

March 17, 2005

To: The Honorable Tom Anderson, Chair
Members of the House Labor and Commerce Committee

From: Samuel Sorich, Vice President

Re: PCI's Support for HB 216

The Property Casualty Insurance Association of America (PCI) is an association of property/casualty insurance companies. There are nearly 200 PCI member companies writing insurance in Alaska. PCI members include Allstate, Progressive, Liberty Northwest, and GEICO.

PCI supports HB 216. Director Hall and her staff deserve to be commended for their regulatory efforts. However, current statutes force them to process and review every change in rates and forms, no matter how minor and no matter how well justified, before the change can be put into effect. This system burdens the Division staff and distracts them from other regulatory priorities. The system also has inherent delays which force consumers to wait for new rating plans and products.

Alaska's current regulatory system discourages insurers from innovating on rates and products, because any such changes face an often times lengthy review process. When the rates and products are finally improved, they may no longer relate to market conditions and consumer needs.

HB 216 addresses these problems. The bill preserves the Insurance Director's authority to regulate rates and forms but allows a degree of rate flexibility and offers an alternative to the current system of strict regulatory prior approval of policy forms. We believe that HB 216 will create a more dynamic, more competitively-oriented insurance market in Alaska. The competition on rates and forms that HB 216 will encourage will benefit Alaska insurance consumers.

HB 216 was developed over the past nine months by an industry-wide drafting group. The group included some PCI members and several other insurance companies and associations, including State Farm Insurance Company and the American Insurance Association which also support HB 216.

Sincerely,

A handwritten signature in black ink that reads "Samuel Sorich". The signature is written in a cursive, slightly slanted style.

Samuel Sorich
Vice President

LESSMEIER & WINTERS
LAWYERS - LLC

MICHAEL L. LESSMEIER
GREGORY W. LESSMEIER
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E-MAIL: lw@pci.net

Via Hand Delivery

March 17, 2005

The Honorable Tom Anderson, Chair
Members of the House Labor & Commerce Committee
State Capitol Room 408
Juneau, Alaska 99801

Re: State Farm's Support for HB 216

Dear Representative Anderson:

On behalf of State Farm Insurance, we would like to express support for HB 216.

Currently, insurers must obtain "prior approval" from the Division of Insurance before adjusting rates upward or downward and before making products and product enhancements available to customers. Such "prior approval" systems were first instituted in the early 1900's as a way to make sure insurers charged enough to avoid insolvency, but they were not intended to help with insurance affordability. A 2001 Brookings Institute study perhaps best summarizes the problems with antiquated "prior approval" systems in today's modern market place. The study made the following conclusions about prior approval rate regulation:

1. Prior approval had little or no long-term effect on reducing overall price levels;
2. Prior approval tended to make coverage less available in the voluntary market;
3. Prior approval tended to create larger residual markets;
4. Prior approval tended to increase cost volatility for insurers and price volatility for consumers; and
5. Prior approval tended to increase subsidization of residual market insurance by those insureds in the voluntary market.

History in other states indicates clearly that both the Alaska insurance industry and insurance consumers will benefit by modernization of Alaska's regulatory system to allow rate flexibility and a use and file system for policy forms and endorsements. HB 216 does that, while at the same time preserving the Insurance Director's authority to regulate rates and forms.

Honorable Tom Anderson
March 17, 2005
Page 2

LESSMEIER & WINTERS
LAWYERS - LLC

In conclusion, HB 216 will reduce entry barriers for insurers to do business in Alaska, encourage competition among insurers, allow insurers to respond more quickly to market conditions to the benefit of consumers and allow the Division of Insurance employees to spend their valuable time on activities that will better serve the insurance buying public such as regulation of solvency, market conduct and consumer complaints. Based on experience in other states, insurance availability should improve in the near term and insurance affordability may improve in the longer term. We thank you for your support of this bill.

Sincerely,

LESSMEIER & WINTERS
Lobbyists For State Farm

By: Sheldon E. Winters
Sheldon E. Winters

SEW/caf

0015-006/RepAnderson01SEW.wpd

driveINSURANCE FROM **PROGRESSIVE****March 16, 2005****To: Alaska State House of Representatives**

I am writing to strongly encourage you to pass House Bill 216.

There is common acceptance by all observers that the current insurance regulatory system in Alaska needs to be reformed. Progressive Casualty Insurance Company and its affiliated and subsidiary companies (Progressive) agrees that insurance regulatory reform is necessary and in the best interest of all stakeholders. We believe that HB 216 is a huge step forward and will:

- Encourage competition, availability, and innovation in product design;
- Eliminate multiple layers of regulation;
- Facilitate the use of pricing and underwriting practices that are fair and actuarially supported;
- Provide speed to market so that forms and rates for new and existing products can be used within reasonable time frames;
- Eliminate outdated regulatory requirements that no longer serve valid regulatory objectives;
- Provide flexibility that allows insurers to innovate and compete effectively against new rivals in the rapidly converging financial services industry;
- Be administered by regulators who are professional, knowledgeable about the industry, and capable of effectively balancing the interests of consumers and insurers; and
- Provide regulation that is consistent, sensible, reliable, and in accordance with law.

A regulatory system with these attributes will foster competition and make reasonably and accurately priced insurance available to more consumers. It will also encourage capital investment and promote a healthy insurance market. This can only benefit consumers.

HB 216 fosters open competition, and in doing so, we believe establishes the optimal approach to rate regulation from both the consumer and industry point of view. Fostering competition curtails excess profits and improves insurance availability. Free market forces should be allowed to operate to assure the most efficient flow of services to the insurance-consuming public. Open competition rating laws, such as HB 216, are the embodiment of this philosophy.

If I can be of any assistance, or answer any questions pertaining to our support of this bill, please do not hesitate to call me directly at 916-864-6175.

Thank you for supporting HB 216.

Sincerely,



Marcus Linden
Progressive Insurance
Agency Auto Product Manager Alaska



AN ANALYSIS OF INSURANCE RATE REVISIONS UNDER FLEX-RATING SYSTEMS

Introduction

A flex-rating system enables insurance companies to implement rate changes within a percentage band without approval from the regulator, but it ensures that larger changes must still undergo regulatory review before going into effect. Even small changes may still be disapproved if they do not meet the statutory requirements of being "not inadequate, excessive, or unfairly discriminatory."

This type of system allows insurers the flexibility to respond to competitive market conditions and adjust certain rates more quickly in accordance with the changing loss experience. It has the ability to stabilize the market by smoothing any fluctuations in the rate adjustments. Flexible rate revisions under this mechanism are not as volatile as rates that require prior approval. By reducing any sharp gyrations in the rate level, the system is beneficial to insurance consumers as price continuity is maintained. Flex-rating provides a reasonable plan that lessens regulatory burdens for both insurers and regulators without compromising consumer protection, and consumers benefit from a market environment characterized by healthy competitive forces and flexibility.

While lawmakers and regulators may recognize the benefits of flex-rating, there is some hesitancy to convert a less competitive rating law to a more flexible system. Understandably, they are concerned that insurance companies will seize upon the opportunity to implement rate charges very close to the threshold, knowing that these rates will not need regulatory approval.

This paper provides evidence showing that the scenario described above is not the case. A significant number of rate changes in flex-rating systems are in fact reductions. One reason for rate decreases under a flex-rating system is that insurers are allowed the flexibility to respond to competitive market conditions and determine appropriate rate level changes more quickly. If a competitive market exists, then this system, by definition, will allow some rates to change more quickly in accordance with the changing loss experience.

Flexible rate revisions are not as volatile as rates that require prior approval. Since companies are able to predict their losses more accurately under a flex system, they feel more comfortable in reducing rates if warranted because they realize they can increase them later if needed. This is not always the case under a prior approval system, since companies face an additional underwriting risk due to the time lag involved with the delays in the review process. What typically occurs in states with prior approval laws is that companies are hesitant to lower rates because they experience regulatory delays when subsequent increases are needed.

Because premiums are able to more accurately reflect projected losses under a flex-rating system, actual loss ratios (i.e., losses relative to premiums) are more likely to match targeted loss

ratios and favorable underwriting returns are produced. Companies are able to respond to changing loss experience more quickly under flex-rating than under prior approval and they can implement certain rate increases or decreases with all necessary flexibility, further strengthening the competitive system. As a result, policyholders see lower increases in their rates and sometimes even cost savings.

Congress could intervene in the regulation of the insurance business unless it is persuaded that greater regulatory modernization at the state level is occurring. Meetings and hearings in recent years have focused on flaws in the current state regulatory system, including the drag that supervised or administered rating laws have on consumer choice and industry competition and efficiency. Flex-based rates make it possible for insurers to compete more vigorously and swiftly on price, and Congressional leaders calling for more modernized insurance regulation have cited "speed-to-market" and competition-based pricing as crucial elements in regulatory modernization.

Effective consumer protection that focuses on local needs is the hallmark of state insurance regulation because local and regional markets and the needs of consumers in those markets are better understood within the state framework. Modernization of insurance rates is a key element to preserving state regulation of insurance, and state legislators can play a key role in making sure that modernization is implemented quickly and efficiently. State regulators are on time and on target to accomplish changes needed to modernize the system of insurance regulation in the United States. The PCI remains committed to working with them to enhance and improve the state regulatory system to foster a healthy and competitive insurance marketplace.

Flex-rating is a very logical and sound next step toward regulatory modernization, as free market forces would operate to a greater extent to assure the most efficient flow of services to the public. It makes little sense for insurance companies to take advantage of the flexible non-regulatory approval feature by implementing rate increases near the threshold, as they would simply lose business by encouraging their policyholders to go to other insurers. What does make sense is that a flex-rating approach would:

- allow insurers to better predict their losses, resulting in lower loss ratios;
- create lower rate increases and even decreases, to the benefit of consumers; and
- attract more insurers to enter the market, improving the level of competition in the state.

Personal Auto Rate and Loss Cost Activity

This section discusses rating activity in the various states that have flex-rating laws. Currently, the following five states have auto insurance flex-rating systems in place:

Kentucky – effective July 15, 1988, flex band of 25 percent

Louisiana – effective January 1, 2004, flex band of 10 percent

Pennsylvania – effective February 19, 1998, flex band of 10 percent

Rhode Island – effective July 7, 2004, flex band of 5 percent

South Carolina – effective March 1, 1999, flex band of 7 percent

In addition, some rating activity is provided for New York, a state that had a flex-rating law beginning on June 30, 1995. The law, however, sunset in August 2001.¹

In each example, personal auto rate changes made in these states were not right at the upper limit. Insurance companies are not arbitrarily filing rate increases near the threshold, knowing they can get the maximum revision without insurance department approval. They do not treat the size of the flex band lightly, but instead make prudent rating decisions according to the changing loss trends and the competitive environment.

Rate Activity in South Carolina

By far, South Carolina appears to have received the greatest amount of attention with respect to the adoption of its auto flex-band law in 1990.² In a letter dated March 22, 2004, Dean Kruger, property and casualty chief at the South Carolina Department of Insurance, asserts, "The assumption used under the prior approval law was that requiring insurers to lower requested rate increases saves money for consumers. If such an assumption were accurate, then premiums should have increased during the implementation (of flex-rating). In fact, they dropped and this indicates that the competitive marketplace is the more effective in controlling rate levels. The key is to increase the number of market participants and a regulatory approach that causes insurers to not enter our marketplace has a cost to the consumer."

Included in Mr. Kruger's letter is an exhibit of major personal auto insurers and their rate activity since the flex system began (see Table 1). Revisions are no changes, decreases or increases beyond the 7 percent threshold that would require regulatory approval. Six of the 34 rate activities shown in the table were decreases and seven were increases above the threshold; the remaining 21, including "no change", are generally well below the maximum limit. Clearly, companies are not trying to take advantage of the new system by implementing rate increases at levels near the flex band. Another observation is the fact that rate changes were not automatically made each year, as seen for three insurers (Allstate, State Farm Fire and Casualty, and South Carolina Farm Bureau).

	1999	2000	2001	2002	2003
Allstate Insurance Co.	0.0%	1.5%	3.6%	No Change	1.6%
State Farm Mutual Auto	-0.3%	0.9%	5.9%	5.8%	-0.5%
Nationwide	-1.8%	4.7%	4.3%	3.9%	1.8%
State Farm Fire and Casualty	No Change	-4.8%	10.2%	11.6%	3.9%
GEICO	-10.3%	6.6%	9.9%	3.5%	1.9%
Allstate Indemnity Co.	New Program	5.0%	11.0%	12.75%	12.0%
South Carolina Farm Bureau	-4.53%	No Change	6.94%	0.01589%	7.26%

Source: South Carolina Department of Insurance

¹ It is not known whether the flex-band system will be reinstated by the New York General Assembly.

² Most likely, the spotlight has been on South Carolina due to the significant improvements flex-rating had on its residual market problem and the large increase in auto insurers entering the state.

Rate Activity in New York

Like South Carolina, New York had a flex band of 7 percent for personal auto insurance. Although New York's flex-rating law sunset in 2001, information is presented on rate changes that took place in this state while the system was in effect and after the law sunset (see Table 2, compiled by the Progressive Group). These changes reflect rating activity conducted by 10 insurance groups representing more than 70 percent (71.5%) of the market.

As previously shown, insurers do not view flex-rating as an opportunity to raise their rates as much as possible. In fact, six insurers implemented rate changes substantially lower than the 7 percent band (Liberty Mutual, Metropolitan, Nationwide, New York Central, and Travelers all had small increases, while State Farm lowered its rates by 2.5%). One insurer (GEICO) had a rate change near the limit during flex, but filed the lowest change after the law sunset. These small increases resulted in GEICO's having the second lowest overall rate increase (8.5%) both during and after flex-rating (the lowest is Nationwide, with a combined 6.0% increase during and after flex). Three insurers (Allstate, 8.5%; AIG, 17.9%; and Progressive, 18.1%) had rate changes greater than the 7 percent band during flex-rating and needed regulatory review and confirmation before they were able to put their rates into effect.

The average increase among the 10 groups presented was 5.3 percent during flex-rating, less than half the average of 11.0 percent after the law reverted to prior approval. Clearly, New York drivers on average were better off during the flex-rating period than the prior approval period because their insurance rates did not go up as much. This is especially true for policyholders of seven of the 10 insurers (Allstate, Liberty Mutual, Metropolitan, Nationwide, New York Central, State Farm and Travelers).

Insurer Group	Rate Change During Flex-Rating	Rate Change After Flex-Rating Sunset
Allstate Insurance	8.5%	11.6%
American International Group	17.9%	15.5%
GEICO/Berkshire Hathaway	6.5%	1.9%
Liberty Mutual Insurance Group	0.0%	5.9%
Metropolitan Group	1.8%	11.3%
Nationwide Corporation	1.6%	4.3%
New York Central Mutual	4.0%	9.3%
Progressive Group	18.1%	15.0%
State Farm	-2.5%	21.8%
Travelers/Citigroup	2.5%	8.7%
Average	5.3%	11.0%

Source: Progressive via Martin & Company

Rate Activity in Other States with Flex-Rating

In addition to South Carolina and New York, other states with flex-rating systems have seen activity that should further ease concerns regarding any alleged rating opportunities. Information on these particular activities has been extracted from various newspaper articles and is presented in Table 3, along with the date of the article, the state affected and the company filing for the change. As before, all of the changes indicated are quite a bit lower than the established maximum beyond which insurance department approval is required, once again demonstrating that insurers are not trying to take advantage of the more competitive system.

Table 3 Rate Activity of Major Insurers In States With Flex-Rating Laws			
Date of Article	State (Band)	Major Insurance Company	Action (line of business)
6/22/03	Kentucky (25%)	Kentucky Farm Bureau	6.6% increase in 2002 (auto); 10.0% increase in 2002 (homeowners)
6/22/03	Kentucky (25%)	State Farm	6.7% increase (homeowners); 0.5% increase (auto)
6/08/04	Kentucky (25%)	State Farm	5.3% decrease (auto)
1/23/04	Louisiana (10%)	USAA Group	2.2% decrease (auto)
3/04/04	Louisiana (10%)	Farmers	6.8% increase (auto)
1/21/05	Louisiana (10%)	State Farm	2.1% decrease (auto)
1/04/04	Pennsylvania (10%)	Erie	7% increase (auto)
8/09/04	Pennsylvania (10%)	Allstate	2.5% increase in Philadelphia; 6.8% in rest of state (auto)
6/12/04	Texas (30%)*	State Farm	2.2% decrease (auto)
6/12/04	Texas (30%)*	USAA	8.6% decrease (auto)
* Texas has since converted to a file-and-use rating system, effective December 1, 2004.			
Sources: Kentucky – <i>The Courier-Journal (Louisville)</i> , June 22, 2003 and June 8, 2004; Louisiana – <i>The Baton Rouge Advocate</i> , January 23, 2004, March 4, 2004, and January 21, 2005; Pennsylvania – <i>Erie Times-News</i> , January 4, 2004 and <i>The Philadelphia Inquirer</i> , August 9, 2004; and Texas – <i>San Antonio Express-News</i> , June 12, 2004			

The 2.1 percent reduction made by State Farm Mutual Automobile Insurance Company in Louisiana (effective February 15, 2005) affects about one-third of the state's drivers. This decrease meant annual savings of \$19.3 million for these motorists, or an average of nearly \$20 per policyholder. This is the first time in almost five years that State Farm has reduced its rates. According to the state's insurance commissioner, J. Robert Wooley, auto insurance rates have benefited from the flex-band rating system. "Insurers aren't as reluctant to reduce rates when business is good because they know they can also raise rates without incurring a political battle." Commissioner Wooley also remarked that smaller auto insurers in the state filed for rate reductions as well, while others raised their rates by smaller percentages than in the past few years.³

³ Source: *The Baton Rouge Advocate*, January 21, 2005

ISO Advisory Loss Cost Changes in States with Flex-Rating

Another source connected to rating activity is the Insurance Services Office, Inc. (ISO), an organization that makes advisory prospective loss cost filings for companies that use their services. Based on aggregated data submitted by participating insurers, these loss costs are adjusted for development and trending to assist companies in creating their own independent rates. It is believed that rate changes made by companies using ISO advisory loss costs are not too different from these recommended changes.

Presented in Table 4 are recent advisory loss cost revisions for personal auto insurance for the five states that now have flex-rating systems. These figures are taken from ISO circulars made available to PCI.

Table 4					
Insurance Services Office, Inc.					
Personal Auto Advisory Loss Cost Level Activity					
On Combined Total Limits					
State (eff. date; Flex-Band)	Kentucky (7/15/88; 25%)	Louisiana (1/1/04; 10%)	Pennsylvania (2/19/98; 10%)	Rhode Island (7/9/04; 5%)	South Carolina (3/1/99; 7%)
2000	-4.4%	N/A	-8.0%	N/A	-18.5%
2001	No change	N/A	-3.7%	N/A	No change
2002	+7.8%	N/A	+7.0%	N/A	No change
2004	+1.5%	No Change	-1.8%*	+8.4% (-0.8%**)	+1.5%

Notes:

- 1) All time periods are through the 4th quarter, except for 2002, which is through the 2nd quarter. Information for 2003 is not available at PCI.
- 2) N/A = not applicable (i.e., flex-rating has not taken effect yet)

* A decrease of -1.8% was disapproved in Pennsylvania.
 ** A decrease of -0.8% for basic limits is scheduled for implementation or approved effective 2nd quarter of 2005 in Rhode Island.

Source: ISO Chief Executive Circulars

The loss cost revisions made by ISO were either substantially lower than the maximum limit allowed in the flex band or were actually higher than the threshold (such as the 8.4% increase in Rhode Island), the latter requiring prior approval by the regulator. None of these changes were only slightly lower than the threshold, thus taking advantage of the system as some may think. In fact, half of the changes shown in Table 4 are implemented decreases. This is especially true in Pennsylvania, where three of the advisory loss cost changes recommended by ISO since 2000 are reductions. Another notable one is the 18.5 percent decrease made by ISO, shortly after flex-rating was adopted in South Carolina.

Other Positive Effects of Flex-Rating Systems

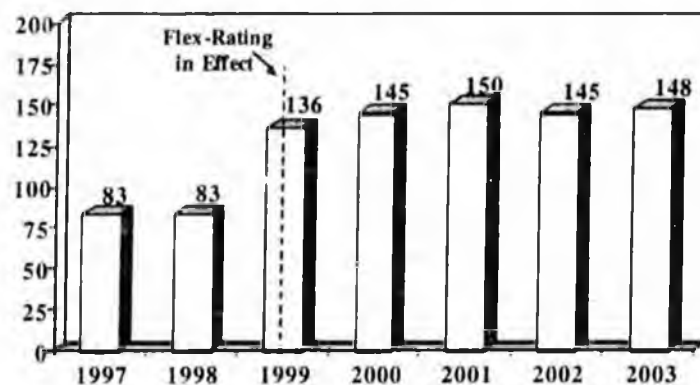
Although the primary purpose of this report is to show that rate changes are not influenced by the maximum level of the flex hand, there are several other positive changes resulting from a flex-rating law that deserve mention. These are shown for South Carolina and New York.

South Carolina

In South Carolina, the positive effects from flex-rating are as follows:

- The number of auto insurers grew dramatically when South Carolina adopted the new flex-rating law (see Figure 1 for the trend). During 1997 and 1998, there were 83 companies writing auto insurance in this state. When the new law went into effect in 1999, the number soared to 136, a two-thirds increase. The number of insurers continued to rise, peaking at 150 in 2001. This quantity has remained fairly constant over the last three years.⁴

Figure 1
South Carolina
The Number of Auto Insurance Companies
Accelerated After Flex-Rating



Source: NAIC

- South Carolina motorists paid an average of 4.4 percent, or \$34, less for auto insurance in 2000 (one full year after its flex-rating law began) compared to 1998 (\$732.53 in 2000 vs. \$766.23 in 1998).⁵ This post-flex premium dropped to the same level seen three years earlier, in 1997.
- During the four-year period before flex-rating (1995 – 1998), the state's average personal auto loss ratio was 80.6 percent of premiums. After flex-rating (2000 – 2003), it fell nearly 12 percentage points, down to 68.7 percent.⁶ Again, because rates can now be adjusted more quickly to reflect changing losses, the loss ratios are more in line with those projected. This resulted in the decline in average premium for the state's drivers.

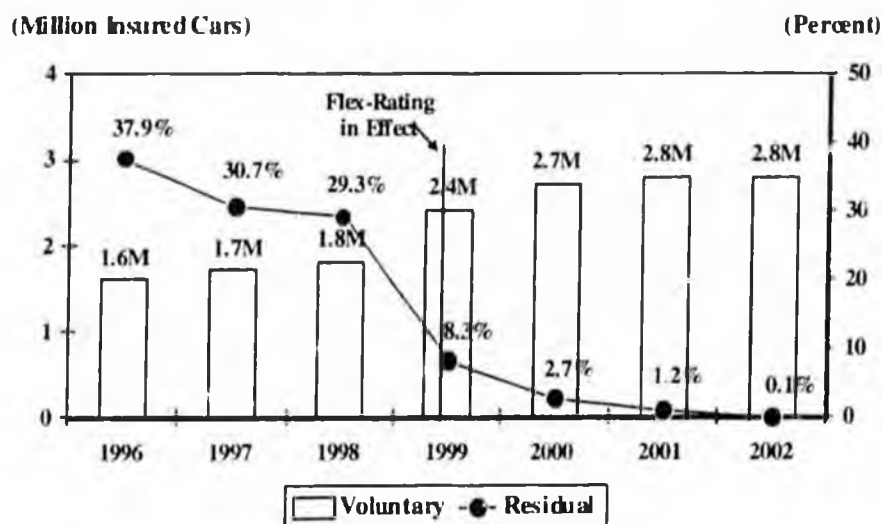
⁴ Source: National Association of Insurance Commissioners

⁵ Source: National Association of Insurance Commissioners, *State Average Expenditures & Premiums for Personal Automotive Insurance*

⁶ Source: National Association of Insurance Commissioners

- Prior to flex-rating, the personal auto residual market in South Carolina was extremely problematic. The proportion of drivers in this group was one of the highest in the nation, representing between 29 percent to 38 percent of the state's entire insured population before the law was changed. This is in comparison to an average countrywide penetration of about 2 to 3 percent. After the 1999 change in rating law, South Carolina's residual market population dropped down to 8 percent during the year and is now less than 1 percent of the insured population. In contrast, its voluntary market grew about 75 percent, from a population of 1.6 million insured cars in 1996 to 2.8 million insured cars in 2002.⁷ The largest increases in the voluntary market took place over the last three years after the conversion to flex-rating (see Figure 2), showing that the competitive market here is indeed working now.

Figure 2
South Carolina
Positive Effects of Flex-Rating
Trends in Voluntary and Residual Market



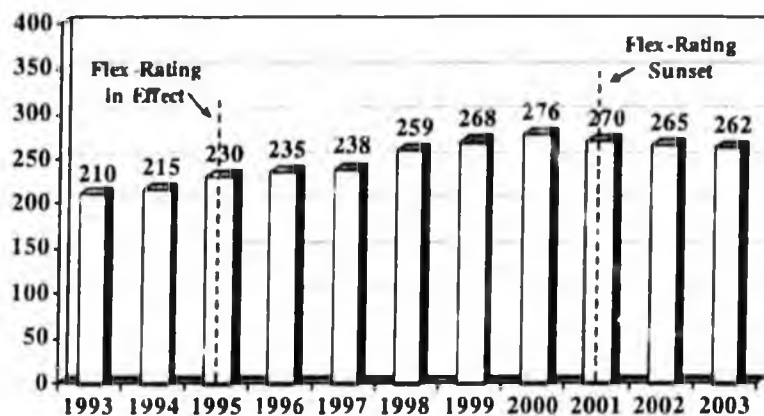
Source: AIPSO

New York

Like South Carolina, one positive outcome of a conversion to flex-rating from prior approval is the growth in the number of personal auto writers in New York. Figure 3 illustrates this trend from 1993 to 2003. When flex-rating went into effect in 1995, there was an increase of 7 percent in the number of insurers (230 insurers in 1995 compared to 215 the previous year). The level continued to grow, accelerating to 276 insurers five years later. However, the New York flex-rating law sunset in 2001, and what resulted after its dissolution was an immediate reduction in auto insurers. The number of writers dropped steadily after flex-rating was removed, from a high of 276 writers prior to the sunset down to 262 writers now.

⁷ Source: Automobile Insurance Plans Service Office

Figure 3
Trend in New York Personal Auto Insurers
After Flex-Rating Went into Effect
and After Flex-Rating Sunset

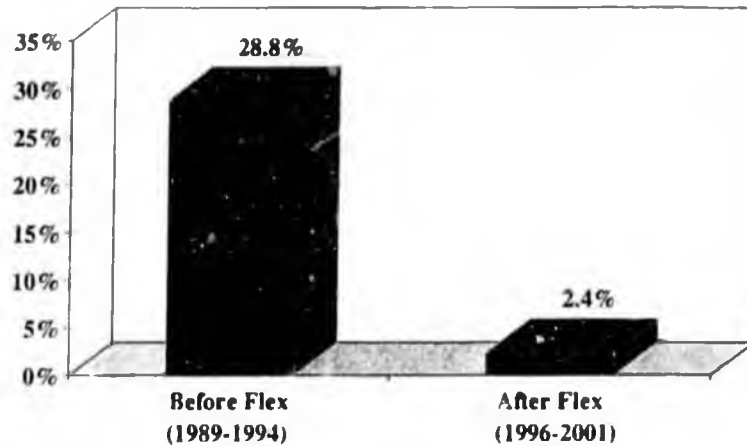


Source: NAIC

Another observed benefit is that the average personal auto premium for New York slowed down after its new system was implemented. Figure 4 illustrates the change in average premium between New York for a consistent period of time before and after its flex-rating plan went into effect. The periods selected are 1989 – 1994 before flex and 1996 – 2001 after flex. Prior to flex, the average premium rose 28.8 percent from 1989 to 1994. During the same length of time, but post enactment of its new rating law (1996 – 2001), the premium experienced only a 2.4 percent increase.⁸ This is because certain rates were allowed to change more rapidly to more accurately reflect the trends in loss experience, resulting in less volatile rate revisions than under a prior approval system.

⁸ Source: National Association of Insurance Commissioners, *State Average Expenditures & Premiums for Personal Automotive Insurance*

Figure 4
New York
Five-Year Personal Auto Premium Growth
Before and After Flex-Rating



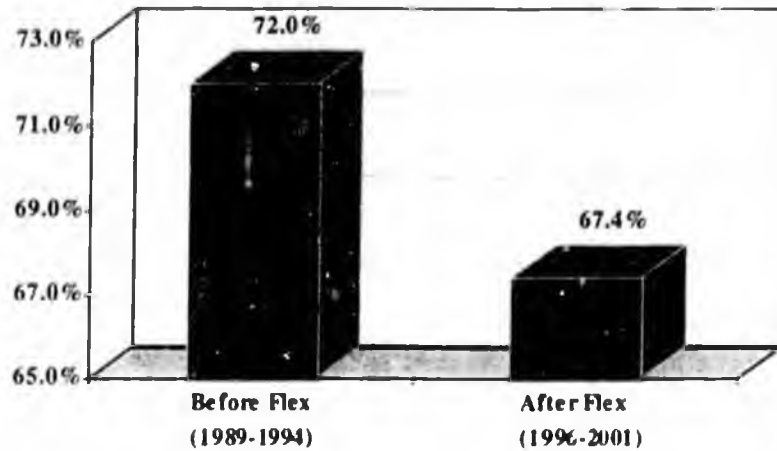
Source: NAIC

The reduced change in average premium growth for New York after flex-rating took place is supported by the fact that the loss ratio also went down. The loss ratio declined after the change in law because more filings were approved more rapidly under this system, permitting the losses relative to the premiums to be closer to what was projected. Having an actual loss ratio closer to the projected amount means a greater likelihood for anticipated profitability results and less need for future rate increases for customers.

The following illustration shows the average personal auto loss ratios before and after New York's flex-rating effective date. Again, the periods examined, before flex and after flex, are respectively 1989 – 1994 and 1996 – 2001⁹ (see Figure 5).

⁹ Source: National Association of Insurance Commissioners, *Report on Profitability by Line and by State*. NAIC uses a simple arithmetic average to generate mean loss ratios over time.

Figure 5
New York
Average Personal Auto Loss Ratios
Before and After Flex-Rating



Source: NAIC

During the period prior to New York's flex-rating law, the average loss ratio was 0.720 (i.e., 72.0% of earned premiums). After the new law went into effect, the loss ratio for the same length of time dropped to 67.4 percent, a reduction of nearly 5 points. This decline in loss ratio stemmed from insurers' being able to adjust their rates on a more timely basis to more accurately reflect losses under flex-rating. And lower loss ratios mean lower premium increases.

Comparison of Average Premiums By Rating Law

Rate regulatory systems generally fall into two categories: "prior approval" and "open competition" (or "competitive rating"). Competitive rating is the more efficient method of setting insurance rates because it is self-adjusting. Insurers are better able to respond to current loss trends and greater innovation is encouraged. Open competition creates an environment that permits a more responsive and substantial expansion of coverage availability. If insurers set rates too high or too low, the market adjusts to drive rates to the competitive level. In addition, innovation will be stimulated, thus making a wider variety of product, price and service combinations available to consumers.

Rate levels are also found to be lower in competitive rating states than in states with prior approval laws. Presented in Table 5 are the 2002 average personal auto premiums, separated between groups of non-competitive prior approval states (including state-made and bureau-made), flex-rating and open competition states that fell under these categories during that year.

Table 5	
Average Personal Auto Insurance Premiums - 2002	
Comparison of Rating Laws	
Group of States by Type of Rating Law	Annual Average Premium
Prior Approval (incl. State- and Bureau-Made)	\$940.63
Flex-Rating	\$862.00
Open Competition:	\$826.01
<i>Prior Approval: AL, AK, CA, DE, GA, HI, LA, MA, MS, NE, NV, NJ, NM, NY, NC, ND, OK, TN, WA, and WV</i>	
<i>Flex-Rating: KY, PA, SC, TX</i>	
<i>Open Competition: AZ, AR, CO, DC, FL, ID, IL, IN, IA, KS, ME, MD, MI, MN, MO, MT, NH, OH, OR, RI, SD, UT, VT, VA, WI, and WY</i>	
<i>Connecticut is not included in any group because its liability rates are subject to prior approval and its physical damage rates are subject to open competition.</i>	
<i>Source: PCI, based on data compiled by the National Association of Insurance Commissioners</i>	

As a group, the states with non-competitive prior approval laws and state- and bureau-made rates have a higher average personal auto premium than states with more competitive rating laws. The auto premium is 9 percent higher than flex-rating states (\$940.63 vs. \$862.00) and 14 percent higher than open competition states (\$940.63 vs. \$826.01). Of course, it must be noted that other factors contribute to the level of premiums as well, the most important being the amount of insured losses that occur. This comparison nevertheless shows that in states where insurers are allowed to operate more competitively, their customers have more affordable insurance.

Studies Discussing the Benefits of Open Competition

The subject of insurance rate regulation has been one of great interest over the last thirty years. Regulators and other governmental bodies, insurers, academicians, and economists all have conducted in-depth research to examine the different regulatory approaches. They conclude that an open competition rating law provides more benefits to both insurers and the public than does a non-competitive prior approval law. Findings from several studies or cases are cited below:

- "A review of the particular alternatives (to the competitive rating law), especially a return to prior approval, indicates that these problems would be made worse, not better, by the alternative approaches."¹⁰
- "If consumers in competitive rate states fare as well or better than they did in 'non-competitive' rate states, there appears to be no empirical economic justification for the regulation of automobile insurance rates by regulatory authorities, especially when

¹⁰ Source: State of New York Insurance Department, *The Open Rating Law and Property-Liability Insurance: An Evaluation of Insurance Price Regulation*, 1977

considering the costs of regulating rates."¹¹

- "...prior approval regulation of rates entails direct and indirect costs and serves no useful purpose in modern, competitively structured insurance markets. Rather, the insurance-buying public would benefit from deregulation of rates."¹²
- Justice Black stated that the philosophy of a less regulated market....
"rests on the premise that the unrestrained interactions of competitive forces will yield the best allocation of our economic resources, and lowest prices, the highest quality and the greatest material progress, while at the same time providing an environment conducive to the preservation of our democratic, political and social institutions."¹³

The Property Casualty Insurers Association of America (PCI) is a trade association consisting of more than 1,000 insurers of all sizes and types, and representing 38 percent of the total property/casualty insurance business and 50 percent of the personal auto business in the nation.

¹¹ Source: Witt, Robert C. and Miller, Harry. *Best's Review*, Vol. 81, No. 8, Dec. 1980. "Is Auto Insurance Rate Regulation Necessary?"

¹² Harrington, Scott E. AEI-Brookings Joint Center for Regulatory Studies; *Insurance Deregulation and the Public Interest*, 2000

¹³ *Northern Pacific R. Co. vs. United States* 356 U.S. 1 (1958)

Progressive Insurance supports HB 216 and strongly encourages you to ^{SUPPORT} ~~pass~~ CS House Bill 216.

This Committee Substitute
We believe ~~HB 216~~ represents a win for consumers, regulators, and industry.

Consumers will benefit from this bill because it will stimulate further competition among insurance companies. Competition will be heightened for two reasons. One, we believe non-present carriers will see the passage of this bill as a sign that the State of Alaska and the Alaska DOI are serious about attracting new carriers. HB 216 makes it less burdensome for carriers to file their rates and maintain a program. States with a small market, such as Alaska, need to make it easier, not harder, for companies to do business, otherwise it just isn't worth it to carriers. ~~With the arrival of new carriers, Alaskans will gain more choices and likely lower premiums relative to the current market.~~ Competition will also be heightened because insurance carriers will feel more comfortable being aggressive with lower premiums. In the current environment, lowering rates is perceived to be a risky move because raising rates, ^{if rates} if rates rise, might take longer than is desired, resulting in unprofitability. The more financially sound strategy is to maintain, rather than lower rates. The flex band is designed to allow carriers some wiggle room with respect to pricing. ~~As a carrier lowers rates and their costs and underwrites, they can move quickly to maintain profitability and will be able to do so without incident.~~ Clearly consumers win if they have more choices and there is heightened competition among those choices.

This bill is a win for the DOI as well. Less time will be spent reviewing insurers' filings for a small rate change. Resources can be re-deployed more efficiently to ~~approve~~ rate and program changes. More time can be spent on other insurance issues of importance to Alaskans.

Finally, we like the bill because it reduces our administrative cost to conduct business in the state and allows us to more easily bring new products and services to Alaska. When we prioritize new programs to be rolled out in the US, the most heavily regulated states get put at the bottom of the list, if they make the list at all. This means consumers in Alaska are not benefitting from new innovations that could very well be saving them hundreds of dollars a year on car insurance. With the passage of this bill we hope to bring our product in Alaska up to par with other states. We believe this will generate growth for us as innovation helps us out perform our competitors and is one of the keys to our success.

Thank you for your time in hearing testimony on this bill. We support HB 216 and ask you ~~for your support~~ *to support the CS and move it through the process.*
Sincerely,

Marcus Linden
Agency Product Manager AK
Progressive Insurance
10929 Disk Drive
Rancho Cordova, CA 95570
916-864-6175

*Alaska
Washington
2009*

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Testimony of John George representing Property Casualty Insurance Association of America. 3/21/05

This bill is a result of nine months of discussions among insurance companies, agents, the Director of Insurance and her staff. We have reached agreement on needed statutory changes which will significantly increase competition, provide public protection and improve the efficiency of the Division of Insurance.

HB216 has three basic purposes. First the bill will create an environment where insurers compete more vigorously on insurance rates and products. HB216 will encourage insurers who currently write insurance in Alaska to stay, will encourage companies with minimal writings to expand their book of business and will attract new insurers to Alaska. More competition is good for the public and a spreading of coverages among more carriers lessens our dependence on any one company. HB216 follows a national trend to a more competition oriented system for regulation of insurance which has shown benefits to consumers where similar regulatory modernization has occurred. And finally HB216 allows the Division of Insurance more efficiently allocate their resources to provide better consumer protection.

Discussions began using model legislation adopted by the National Conference of Insurance Legislators. Some of those ideas were incorporated some were discarded, but the current bill is consistent with the NCOIL model goal of regulatory modernization. The bill requires initial rates to be filed and approved by the Division of Insurance with subsequent filings within a narrow rate band to be filed and used without prior approval. This flex rating system allows companies to react quickly to market conditions without waiting months seeking prior approvals. The bill contains a certification process whereby companies certify that their filing meets statutory requirements. The Division of Insurance retains the authority to regulate, and apply sanctions on companies that fail to meet the required standards.

The bill as presently drafted has a few technical problems and some items need minor adjustments to accomplish the intended goals. The Director of Insurance and industry spokesmen are still working on language for several changes and we are confident that we will reach agreement on those issues. We had hoped to have a committee substitute bill ready for today's hearing but it is not ready yet.

I believe the Director of Insurance is on line today and I think it might be appropriate to get her comments on the bill and reserve testimony on the technical aspects of the bill until we have a committee substitute bill ready for consideration.

The final bill will truly be a cooperative effort supported by industry and regulators which will benefit the insurance buying public.