



BULLETIN B 02-01

TO: ALL LICENSEES AND ADMITTED INSURERS IN THE STATE OF ALASKA AND OTHER INTERESTED PARTIES

RE: CHANGES IN THE ALASKA INSURANCE LICENSING SYSTEM THAT ENSURE RECIPROCITY UNDER THE GRAMM LEACH BLILEY ACT

During the 2001 Legislative Session, the legislature passed SCS CSHB 184 (Judiciary), which Governor Knowles signed into law. This legislation was developed by the governor with the support of the division and the insurance industry. Many of the sections of this legislation, particularly those that amend Chapter 27 of the insurance code (AS 21.27), incorporate into Alaska law the requirements necessary to ensure reciprocity under the federal legislation passed in the Gramm Leach Bliley Act (GLBA), simplify producer licensing, and protect consumers who purchase insurance through banks.

This bulletin outlines major changes in Alaska insurance licensing laws that have occurred with the passage of SCS CSHB 184 (JUD). This bulletin is for informational purposes only and is not intended to be an exhaustive or interpretive analysis of statutory changes to the insurance code. Please review the insurance laws in their entirety to assure your compliance when transacting Alaska insurance business. You can access SCS CSHB 184(JUD) at www.legis.state.ak.us/basis/start.asp and enter "HB184" as the Bill Root.

AREAS OF SIGNIFICANT CHANGE

- Definitions
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DEFINITIONS

The new definitions in the law are consistent with the definitions in the National Association of Insurance Commissioners (NAIC) Producer Licensing Model Act for "compliance officer," "home state," "insurance producer," "license," "limited lines credit insurance," "negotiate," "sells," "solicit," "transact," "uniform application," and "uniform business entity application," among others. AS 21.27.900

LINES OF AUTHORITY

Eight lines of authority have been established whereby the director issues a qualified applicant a license for one or more of the lines of insurance coverage. Seven of the lines of authority are life, health, property, casualty, variable life and variable annuity products, personal lines property and casualty, and limited lines credit insurance. There is also an eighth line of authority for a license for limited lines insurance. These lines of authority are consistent with those listed in the NAIC Producer License Model Act. AS 21.27.115

LICENSE TYPES, FIRMS WITH MORE THAN ONE LOCATION, LIMITED LINES OF AUTHORITY

License Types: Principal/Manager/Compliance Officer

The requirements for a firm to have a principal or manager have been eliminated. Instead, a **compliance officer** will be responsible for the firm's compliance with Alaska insurance law.

An individual previously licensed as a principal or manager of a firm will be changed to the compliance officer of the firm and continue to operate under the existing license until it is up for renewal. Once renewed, the license issued will indicate the new license type of compliance officer.

If a firm has designated someone other than the licensed principal or manager as the compliance officer for the firm, unless that individual is appropriately licensed, that individual will no longer be recognized as the compliance officer of the firm and will be replaced by the existing licensed manager or principal of that firm. If the firm wishes to designate another licensee as its compliance officer, the firm should submit a completed section 11 of Change Form 08-1245 to the division. This form is available at <http://commerce.alaska.gov/ins/Insurance/programs/Licensing/changeForms.html>

A Firm with a Branch or Secondary Location

A firm that transacts business in more than one location must pay a license fee and submit an application for each additional location. These branch or secondary locations are no longer separate licensees. The primary firm location must hold a license and its compliance officer will be held responsible for the activities of its branch or secondary locations. All information regarding the branch or secondary licenses will be transferred to the licensed

firm. AS 21.27.330

The division is in the process of contacting firms that have multiple licensed locations to ascertain which location will be designated the licensed primary firm location.

Limited Lines of Authority

Under the lines of authority, the division will continue to offer limited lines licenses. Limited lines licenses for travel, bail bond, fraternal, motor vehicle rental agency, and credit insurance will be available to both residents and nonresidents. Effective January 1, 2002, the **health insurance limited producer license** for the sole purpose of being appointed by and acting as an agent for health insurance pertaining to sports and recreation, and the **retired insurance producer license** for the sole purpose of allowing a retired or retiring individual who surrenders all in-force insurance licenses to receive continuing commissions for insurance transacted before retirement **have been eliminated.**

Under AS 21.27.370(e), a person no longer licensed in this state may be paid renewal or other deferred compensation for selling, soliciting, or negotiating insurance if that person was required to be licensed at the time of the sale, solicitation, or negotiation and held the required license.

Also effective January 1, 2002, AS 21.27.170, which provided for **insurance vending machines licenses** has been repealed and such a license **has been eliminated.**

The following lines of authority that previously have been issued as a limited lines license have been combined with one of the lines of authority listed in AS 21.27.115, as of January 1, 2002. **The division will not print new licenses reflecting the new authority name until the next renewal of a license.**

Mortgage guarantee authority only will be combined with and become **limited lines credit** authority.

Credit Life/Credit Disability authority only will be combined with and become **limited lines credit** authority.

Vehicle authority only will be combined with and become **casualty** authority.

Property, casualty, surety and marine authority only will be combined with and become **property and casualty** lines of authorities.

CONVERSION

As of December 31, 2001, the division has converted all active licenses into the new license structure that is effective January 1, 2002. Nearly all of the conversion is automatic. The division will only contact those licensees who have a license that does not convert into the new license structure so that the licensee can advise the division of what type of license to

issue.

A licensee who was licensed for **property and casualty** authorities before conversion occurred is now qualified to transact business for **personal lines property and casualty** authority, as well as the property and casualty authorities. A licensee who wishes to convert the license to only personal lines property and casualty to sell coverage to individuals and families for primarily noncommercial purposes and to eliminate the more general property and casualty authorities should request that the division make that change.

A licensee who was licensed for **both life and health** authorities before conversion occurred **and** who was selling credit products **or** who now wishes to sell credit products must obtain separate **limited lines credit** authority in order to sell credit products. Such a licensee will not be required to take the new limited lines credit exam discussed later in this bulletin but must notify our office to request the addition of limited lines credit authority. A licensee who was licensed for **either life or health** authority but not both before conversion occurred **and** who now wishes to sell credit products must obtain separate **limited lines credit** authority **and** must take the new limited lines credit exam discussed later in this bulletin.

REQUIREMENTS FOR BANKS SELLING INSURANCE (13 SAFE HARBORS)

The legislation provides guidelines to financial institutions that engage in insurance sales. The new law

- Establishes consumer protection standards consistent with Sections 104, often referred to as the "13 safe harbors," and 305 of GLBA, and incorporates four major areas of protection relating to **licensing, misrepresentation, disclosure, and antitying and anticoercion**; AS 21.36.164-21.36.169
- Requires each person transacting the business of insurance to obtain a separate insurance license; AS 21.36.164
- Defines a financial institution, which includes a credit union, a bank, savings bank, savings and loan association, or trust company, among others, but excludes an insurer; AS 21.36.169(2)
- Requires a financial institution to use separate documents for an insurance transaction other than for credit or flood insurance; AS 21.36.165
- Requires a financial institution selling insurance products to, among other things,
 - inform consumers that the insurance products are not protected by federal insurance,
 - state that the insurance is not guaranteed by the financial institution,
 - inform customers that they are not obligated to purchase insurance to obtain a loan or an extension of credit from the financial institution. AS 21.36.168

BACKGROUND CHECKS

Fingerprint Card Requirements

Previously, an individual seeking licensure in this state was required to submit one

fingerprint card and the fingerprint card processing fee for the division to conduct a criminal background check. An applicant seeking licensure now must submit with the application two fingerprint cards and a separate check for \$59.00, payable to the DEPARTMENT OF PUBLIC SAFETY. This change will allow the division to obtain a national criminal history check from the Federal Bureau of Investigation.

Felony Convictions

As of July 1, 2002, the federal requirements under 18 USC 1033 and 1034 that a person having a conviction for a felony involving dishonesty or breach of trust must obtain the written consent of the director before transacting insurance are incorporated into Alaska law. AS 21.36.355

MISCELLANEOUS

Fiduciary Responsibility

A licensee has a fiduciary responsibility for the money the licensee collects for premium taxes and fees, premiums, or return premiums and the money must be accounted for promptly and paid to the appropriate party. AS 21.27.360

Bonds for Insurance Producers

Effective January 1, 2002, an insurance producer acting as a broker or collecting insurance premiums is no longer required to file and maintain a \$10,000 bond. If a producer has a current bond on file with the division, the producer should request cancellation of the bond by the surety company. All bonds on file will remain active until the division has received a bond cancellation notice.

Bonds for Surplus Lines Brokers

As of January 1, 2002, a surplus lines broker is no longer required to maintain a bond in any amount unless the director by regulation requires a bond in a particular amount. AS 21.27.790

Continuing Education

A nonresident licensee is now exempt from Alaska's continuing education requirement. AS 21.27.020(f)(5)

Compensation Arrangements

An insurer or producer may pay compensation to a person without a license **as long as the person has not transacted the business of insurance** and the payment does not violate AS 21.36.100 or 21.36.120. AS 21.27.370

An unlicensed person may also receive compensation for referrals to a licensee if the person does not discuss specific terms and conditions of a policy, does not give opinions or advice regarding insurance, and **if** the referral is nominal, on a one-time basis, and fixed in amount by referral. The compensation for the referral cannot depend on whether insurance is purchased or be contingent upon volume of insurance transacted.

License Qualifications

1. As of January 1, 2002, the minimum age for licensure is **18** and a high school or GED diploma or equivalent is **no longer required**. AS 21.27.020
2. Application forms **no longer need to be notarized**.
3. A nonresident licensee who applies for an Alaska license within 90 days of cancellation of the previous license in the prior home state no longer needs to take the Alaska examination if the license applied for is for the same lines of authority. AS 21.27.060
4. An applicant who has been previously licensed in Alaska must take and pass the appropriate examination under AS 21.27.060 unless the applicant has been licensed in good standing within one year from the date the division receives the new application.

SPECIFIC TO INSURERS

Changes have been made that allow for company employees to respond to requests from existing policyholders on existing policies. But, if an employee is directly compensated based on volume of premiums or if the employee transacts the business of insurance, that employee must be licensed. AS 21.27.010(e)

Multiple insurers within an insurer's holding company system or group may now file a single appointment request, thereby reducing their paper filings. Bulletin B 01-14, dated November 21, 2001, provides additional information regarding appointments and terminations.

EXAMINATIONS

New Examinations

The division has developed new examinations for licenses for limited lines **credit** insurance and **personal** lines insurance. These examinations will be implemented in January 2002. The other examinations for licenses have been updated to reflect the changes in the insurance laws.

Candidate Handbook

A new Alaska Candidate Handbook, published by Assessment Systems, Inc. (ASI), will be made available early in 2002 that incorporates the new licensing laws.

APPLICATION FORMS

The division has developed new application forms that are consistent with the NAIC Uniform Applications and with the new Alaska laws. (08-240 for Individuals/Individuals in a Firm and 08-241 for Firms.) Due to these changes, we encourage use of the new application forms. We will continue to accept the existing application forms, however.

You may access the new forms through our web site at <http://commerce.alaska.gov/ins/Insurance/programs/Licensing/changeForms.html> or you may obtain them by writing to the division and including a self-addressed, stamped envelope with your request to:

Anchorage Office: Juneau Office:

3601 C Street, Suite 1324 P.O. Box 110805

Anchorage, AK 99503 Juneau, AK 99811-0805

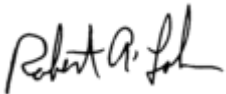
(907) 269-7900 (907) 465-2515

The division appreciates your patience during this period of conversion to the new laws. We are confident that the new laws will allow us to provide you with more effective and efficient service once the transition is complete.

The Frequently Asked Questions (FAQ) section on our web site will provide further information on producer licensing: www.commerce.state.ak.us/insurance/index.html and click on the Frequently Asked Questions button.

If you have questions regarding this bulletin, please contact the licensing staff at (907) 465-2515.

Dated this 25th day of January, 2002.



Robert A. Lohr
Director