



DIVISION OF INSURANCE

Frank H. Murkowski, Governor

BULLETIN B 05-04

TO: JOINT INSURANCE ARRANGEMENTS TRANSACTING BUSINESS IN ALASKA AND OTHER INTERESTED PARTIES

RE: STUDENT ACCIDENT COVERAGE

The purpose of this bulletin is to provide further clarification on how and to what extent a joint insurance arrangement may offer student accident coverage or the other types of health or death benefits listed in AS 21.12.070(a)(2). Under AS 21.76.010(a) a joint insurance arrangement pools contributions “in order to either assume risks from losses to the participants on a group basis or purchase coverage for the participants on a group basis.” AS 21.76.010(b) specifically prohibits a joint insurance arrangement from engaging in such activity with respect to health or life insurance.

In June 2001, the Director for the Division of Insurance issued a letter to the joint insurance arrangements transacting business in this state on whether a joint insurance arrangement may offer Student Catastrophic Injury and Student Accident Insurance and Law Enforcement Accidental Death and Dismemberment Coverage. This letter noted that under AS 21.76.010(a) joint insurance arrangements may not offer health or life insurance and that the referenced student and law enforcement insurance fell squarely within the definition of health and life insurance under the insurance code (AS 21). The letter further noted, however, that certain health and death benefits may be considered liability insurance and not health or life insurance if issued as an “incidental coverage with or supplemental to liability insurance.” AS 21.12.070(a)(2) and (b). Accordingly, the letter concluded that a joint insurance arrangement may offer health or life coverage if it was incidental to a liability policy either as a coverage part under or an endorsement to the policy. As stated in the letter, this means that the coverage may not be issued as a separate policy and the limits for the insurance may not be substantial in aggregate amount or when compared to the primary limits for liability coverage.

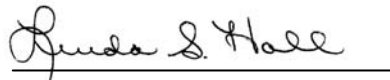
The division affirms this prior guidance, but provides the following clarification:

1. To the extent that a joint insurance arrangement pools contributions to self-insure its liability coverage, any student accident coverage also must be self-insured in order to meet the statutory requirement that such coverage be an incidental coverage with or supplemental to the liability coverage.

2. If a joint insurance arrangement decides to include student accident coverage as part of its liability coverage, to be an incidental coverage with or supplemental to self-insured liability coverage
- a. the joint insurance arrangement must either retain all risk from losses for the student accident exposure under its liability coverage or, alternatively, the joint insurance arrangement may purchase excess loss insurance for the total liability coverage, which includes student accident coverage, provided by the joint insurance arrangement;
 - b. the joint insurance arrangement may not purchase an excess loss policy covering only student accident losses in excess of a defined retention level because it would constitute the assumption of health insurance risk, which is prohibited under AS 21.76.010; and
 - c. the expected cost, frequency, and severity of claims for student accident coverage must be substantially smaller than the expected cost, frequency, and severity of claims of all other self-insured liability coverages.
3. Individual participants in a joint insurance arrangement may purchase student accident insurance coverage from licensed insurers in Alaska through a licensed insurance producer. In that event, the individual participants should be the named insureds of the student accident insurance policies, not the joint insurance arrangement. The administrator for a joint insurance arrangement may be licensed as an insurance producer under AS 21.27 and under that license may procure student accident coverage from a licensed insurer for the individual participants in the joint insurance arrangement.

If a joint insurance arrangement has any question regarding whether coverage is an incidental coverage with or supplemental to liability coverage, the joint insurance arrangement should submit detailed information regarding the proposed coverage to the Division of Insurance for review and a determination that it complies with Alaska law.

Dated this 6th day of May, 2005 at Anchorage, Alaska.



Linda S. Hall
Director