

NOTICE OF PROPOSED CHANGES IN THE
REGULATIONS OF THE DIVISION OF INSURANCE

BRIEF DESCRIPTION

The Division of Insurance proposes to adopt regulations to modify the surplus lines requirements to conform to Alaska statute changes due to the federal Nonadmitted and Reinsurance Reform Act of 2010. The regulations also include modifications to the diligent search requirements, additional requirements for the notice of nonrenewal and premium increase, and fees for the new portable electronic limited producer licenses.

The Division of Insurance proposes to adopt regulation changes in Title 3 of the Alaska Administrative Code, dealing with surplus lines premium tax payments, surplus lines filing fee payments, surplus lines unauthorized insurers, and alien surplus lines insurers fees under AS 21.34; and fees for portable electronics limited producer licenses under AS 21.27 including the following:

3 AAC 21.550 and 3 AAC 21.560 relating to frequency and method of premium tax payments are proposed to be amended as follows:

3 AAC 21.550 eliminates the requirement that a surplus lines broker pay an annual tax under AS 21.34.180.

3 AAC 21.560(b) changes the dates a surplus lines broker shall pay quarterly to the director the premium tax under AS 21.34.180 and the filing fee under AS 21.34.190.

3 AAC 21.560(d) is amended because surplus lines brokers no longer pay quarterly only when the tax is \$10,000 or more in the prior year so there is no need for a waiver from that requirement.

3 AAC 21.560(e) eliminates the requirement that surplus lines brokers file a quarterly tax report.

3 AAC 21.25.010 – 3 AAC 21.25.900 relating to surplus lines – unauthorized insurers is proposed to be amended as follows:

3 AAC 25.010(a) sets forth the conditions a surplus lines broker and a producing broker must meet for the surplus lines broker to procure insurance through an eligible nonadmitted insurer.

3 AAC 25.010(b) sets forth additional requirements a producing broker and surplus lines broker must meet if the nonadmitted insurer does not appear on the director's list of eligible surplus lines insurers under AS 21.34.050 or on the Quarterly Listing of Alien Insurers under AS 21.34.040(c)(7).

3 AAC 25.035(a), (c), and (d) implements the federal Nonadmitted and Reinsurance Reform Act of 2010 provision relating to a streamlined application for commercial purchasers of nonadmitted insurance.

3 AAC 25.050 adds a requirement that a surplus lines broker ensure that a notice of nonrenewal and premium increase be part of each policy.

3 AAC 25.060 adds that evidence of insurance includes subsequent endorsements and company audits related to a policy.

3 AAC 25.090(b)(3) requires, for each surplus lines transaction, that the surplus lines broker include, on a form approved by the director, documentation of the gross premiums written.

3 AAC 25.090(c) is repealed because the director no longer needs to require each report of a surplus lines transaction be signed by the surplus lines broker.

3 AAC 25.100 is repealed and readopted to replace the monthly reports with quarterly reports.

3 AAC 25.105 is repealed and readopted to replace amending monthly reports with amending quarterly reports.

3 AAC 25.110 is repealed because the director no longer needs an annual tax payment report.

3 AAC 25.140 is repealed and readopted to include new eligibility requirements for surplus lines insurers.

3 AAC 25.900 is repealed and readopted to provide definitions for the proposed regulations and to remove unnecessary definitions already covered by statute.

3 AAC 31.020 and 3 AAC 31.060 relating to fees are proposed to be amended as follows:

3 AAC 31.020(a) (2) establishes a fee for initial application or biennial renewal for a portable electronics limited producer license.

3 AAC 31.060 clarifies fees for only an alien surplus lines insurer not on the Quarterly Listing of Alien Insurers under AS 21.34.040(c) (7).

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed action, by submitting written comments to the Division of Insurance; Attention: Rebecca Nesheim; P.O. Box 110805; Juneau, AK 99811-0805 or by e-mail to rebecca.nesheim@alaska.gov; or by fax to (907) 465-3422. Comments may also be submitted through the Alaska Online Public Notice System at <http://aws.state.ak.us/OnlinePublicNotices>. All comments must be received **no later than 5:00 p.m., Alaska Daylight Time, March 21, 2014.**

Oral or written comments also may be submitted at a hearing to be held on **Wednesday, March 12, 2014** in the 15th floor conference room, 550 West Seventh Avenue, Suite 1560, (Atwood Building) Anchorage, Alaska. The hearing will be held from **1:30 p.m. to 2:30 p.m., ADT**, and may be extended to accommodate those present before 2:30 p.m. who may not have had the opportunity to comment.

If you are a person with a disability who needs a special accommodation in order to participate in the process, please contact Christopher Napoleon at (907) 269-7892, or TDD (907) 465-5437 no later than January 3, 2014 to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, please contact the Division of Insurance by telephoning (907) 269-7900 in Anchorage or (907) 465-2515 in Juneau, or via the Internet at <http://commerce.alaska.gov/dnm/ins/HearingsMeetingsandNotices.aspx>.

After the public comment period ends, the Division of Insurance will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may be different from that of the proposed regulations. **YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTERESTS COULD BE AFFECTED.** Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 21.06.090; 21.06.250; and AS 21.34.250.

Statutes Being Implemented, Interpreted, or Made Specific: AS 21.27.150; AS 21.34.020; 21.34.040; 21.34.060; 21.34.080; 21.34.100; 21.34.170; 21.34.180; 21.34.190; 21.34.900; and 21.36.195.

Fiscal Information: This action is not expected to require an increased appropriation.

DATE: January 13, 2014.



Marty Hester
Acting Director of Insurance

**FORM FOR ADDITIONAL REGULATIONS
NOTICE INFORMATION
(AS 44.62.190(d))**

1. **Adopting agency:** Dept. of Commerce, Community, and Economic Development, Division of Insurance
2. **General subject of regulation:** Surplus lines and fees for new portable electronic limited producer licenses.
3. **Citation of regulation (may be grouped):** 3 AAC 21.550 & 3 AAC 21.560; 3 AAC 25.010 – 3 AAC 25.900; 3 AAC 31.020 & 3 AAC 31.060
4. **Reason for the proposed action:**
 compliance with federal law
 compliance with new or changed state statute
 compliance with court order
 development of program standards
 other: (please list)
5. **RDU/component affected:** Public Protection/Insurance
6. **Cost of implementation to the Division of Insurance and available funding (in thousands of dollars):**

	Initial Year FY 14	Subsequent Years
Operating Cost	\$ -0-	\$ -0-
Capital Cost	\$ -0-	\$ -0-
Federal receipts	\$ -0-	\$ -0-
General fund match	\$ -0-	\$ -0-
General fund	\$ -0-	\$ -0-
General fund/ program receipts	\$ -0-	\$ -0-
General fund/mental health	\$ -0-	\$ -0-
Other funds (specify)	\$ -0-	\$ -0-

7. **Contact person for the regulations:**
 Rebecca Nesheim
 Tax Auditor III
 Division of Insurance
 P.O. Box 110805
 Juneau, AK 99811-0805
 Telephone: 907/465-2584
 Fax: 907/465-3422

8. **The origin of the proposed action:**
 staff of the state agency
 federal government
 general public
 petition for regulation change
 other (please list)

9. **Prepared by:** Chip Wagoner
 (Signature)
Name (typed): Chip Wagoner
Title (typed): Regulations Specialist II
Telephone: 907/465-8486
Date: January 13, 2014