

NOTICE OF PROPOSED CHANGES ON CREDIT FOR REINSURANCE, INTERNAL
AUDIT FUNCTIONS, CORPORATE GOVERNANCE ANNUAL DISCLOSURE, AND
MEDICARE SUPPLEMENT INSURANCE IN THE REGULATIONS OF THE DIVISION OF
INSURANCE

BRIEF DESCRIPTION

The Division of Insurance proposes to change regulations on Credit for Reinsurance and Audit Committees based on the National Association of Insurance Commissioners Credit for Reinsurance Model Regulations 786, Annual Financial Reporting Model Regulations 205, Corporate Governance Annual Disclosure Model Regulations 306, and based on changes from the Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”).

The Division of Insurance proposes to adopt regulation changes in Title 3, Chapter 21 of the Alaska Administrative Code, dealing with Credit for Reinsurance and Audit Committees, including the following:

3 AAC 21 and **3 AAC 28** are proposed to be amended as follows:

3 AAC 21.635. General provisions for a reinsurance agreement, is proposed to be amended to add a new paragraph that includes a proper reinsurance intermediary clause, if applicable, which stipulates that the credit risk for the intermediary is carried by the assuming insurer.

3 AAC 21.645. Accredited reinsurer, is proposed to be repealed and readopted to add credit for reinsurance requirements for an insurer in this state: insurer must file a certificate of assuming insurer; provide a certificate of authority; file annual statement with the division; maintain a minimum \$20M surplus or adequate financial capacity.

3 AAC 21.650. Failure To Meet Criteria For Accredited Reinsurer, is proposed to be repealed due to the changes to 3 AAC 21.645.

3 AAC 21.658. Reinsurer domiciled in another state, is proposed to be amended to add a new subsection for credit for reinsurance requirements for an insurer that is domiciled in or, in the case of a U.S. branch of an alien assuming insurer; insurer must file a certificate of assuming insurer; insurer maintains a minimum \$20M surplus.

3 AAC 21.660. Authorized assuming insurer maintaining a trust fund, is proposed to be repealed and readopted to be aligned with the trust fund requirements from the National Association of Insurance Commissioners’ Credit for Reinsurance Model Regulations for assuming insurers.

3 AAC 21.661. Credit for reinsurance required by law, is proposed to add a new section that the director shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of AS 21.12.020 but only as to the insurance of risks located in jurisdictions where the reinsurance is required by the applicable law or regulation of that

jurisdiction.

3 AAC 21.662. Asset or Reduction from Liability, is proposed to add a new section to allow a reduction from liability for reinsurance ceded by a domestic insurer.

3 AAC 21.664. Letters of credit, is proposed to add a new section for requirements in letters of credit from a qualified United States financial institution.

3 AAC 21.665. Conditions required for a trust agreement for an unauthorized assuming insurer, is proposed to be repealed and readopted to add new subsections that include required conditions for trust agreements.

3 AAC 21.694. Credit for Reinsurance-Certified Reinsurers, is proposed to add a new section that allows credit for reinsurance ceded by a domestic insurer to an assuming insurer that has been certified as a reinsurer in this state.

3 AAC 21.710. Requirements regarding contents and filing of annual audited financial reports, is proposed to be amended to allow extensions to the due date of the annual audited financial report for 30-day periods if the insurer and their CPA submit a request that the director deems reasonable.

3 AAC 21.720. Qualifications of qualified independent certified public accountant, is proposed to be amended to add a subsection which gives the director greater flexibility when determining qualifications.

3 AAC 21.770. Audit Committee, is proposed to be amended by adding a new subsection regarding internal audit functions.

3 AAC 21.780. Internal Audit Function Requirements, is proposed to add a new section that adds internal audit function requirements and the exemptions in order to be aligned with the internal audit requirements from the National Association of Insurance Commissioners' Annual Financial Reporting Model Regulations.

3 AAC 21.785. Filing Procedures, is proposed to add a new section that describes the filing procedures for the corporate governance annual disclosure required by AS 21.09.410.

3 AAC 21.790. Contents of Corporate Governance Annual Disclosure, is proposed to add a new section that describes the necessary elements of the corporate governance annual disclosure required by AS 21.09.410.

3 AAC 21.799. Definitions, is proposed to be amended by clarifying the definition of audit committee, and adding the definition of internal audit function, insurance group, and senior management.

3 AAC 28.462. Guaranteed issue for eligible persons, is proposed to be amended by adding plans "D," "G," and High deductible "G" due to changes caused by MACRA. It will also make

the necessary distinction between people newly eligible for Medicare before and after January 1, 2020, as required by MACRA.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to **the Division of Insurance; Attention: David Phifer; 550 West 7th Avenue, Suite 1560, Anchorage, Alaska 99501-3567**; by e-mail to david.phifer@alaska.gov; or by fax to (907) 269-7910, and by electronic mail at insurance.alaska.gov. Comments may also be submitted through the Alaska Online Public Notice System, by accessing this notice on the system and using the comment link. The comments must be received **no later than 5:00pm on September 28, 2019**.

Oral or written comments also may be submitted at a hearing to be held on September 18, 2019, in Conference Room 1560, at the Atwood Building, 550 West Seventh Avenue, Anchorage, Alaska and in Conference Room B on the ninth floor of the State Office Building, located at 333 Willoughby Ave., Juneau, Alaska. The hearing will be held from **3 PM to 4 PM** and might be extended to accommodate those present before **4 PM** who did not have an opportunity to comment. If you are unable to attend the meeting in person and would like to participate by teleconference, please call 1-800-315-6338 and enter the access code 42070 followed by #.

You may submit written questions relevant to the proposed action to **the Division of Insurance; Attention: David Phifer; 550 West 7th Avenue, Suite 1560, Anchorage, Alaska 99501-3567**. The questions must be received at least 10 days before the end of the public comment period. The Division of Insurance will aggregate its response to substantially similar questions and make the questions and responses available on the Alaska Online Public Notice System and agency website.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact **Sian Ng-Ashcraft at sian.ng-ashcraft@alaska.gov or (907) 269-7892** not later than **September 8, 2019**, to ensure that any necessary accommodations can be provided.

A copy of the proposed regulation changes is available on the Alaska Online Public Notice System and is available on the division's website at <https://www.commerce.alaska.gov/web/ins/Resources/Notices.aspx> and by contacting Jackson Willard at jackson.willard@alaska.gov.

A copy of material proposed for adoption by reference is available on the Alaska Online Public Notice System or through the Division of Insurance's website.

After the public comment period ends, the Division of Insurance will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulation may be different from that of the proposed regulation. **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; AS 21.12.020; AS 21.06.060; AS 21.09.200; AS 21.09.400; AS 21.09.410; AS 21.09.420; AS 21.09.430; AS 21.42.130; AS 21.96.060.

Statutes being implemented, interpreted, or made specific: AS 21.06.090; AS 21.12.020; AS 21.06.060; AS 21.09.200; AS 21.09.400; AS 21.09.410; AS 21.09.420; AS 21.09.430.

Fiscal information: The proposed regulation changes are not expected to require an increased appropriation.

The Division of Insurance keeps a list of individuals and organizations interested in its regulations. Those on the list will automatically be sent a copy of all of the division notices of proposed regulation changes. To be added to or removed from the list, send a request to the division at insurance.alaska.gov, listing your name, and your e-mail address.

Date: August 15, 2019



Lori Wing-Heier
Director, Division of Insurance