



## **BULLETIN B 00-06**

**To: All Licensees, Insurance Companies, Hospital or Medical Service Corporations, Fraternal Benefit Societies, Multiple Employee Welfare Arrangements, and Health Maintenance Organizations Transacting Insurance in the State of Alaska and Other Interested Parties**

**Re: Notice of Changes to Alaska Statutes Pertaining to Insurance Law**

This bulletin outlines the major changes made to Alaska insurance laws resulting from the 2000 session of the Alaska Legislature. Nine bills affecting the insurance market were passed by the legislature and signed into law by the Governor. This bulletin is informational in nature and does not supersede or even constitute an official interpretation of the statutory provisions in each of the bills. **Please review each of the bills carefully to assure your compliance with Alaska insurance law.** Contract changes necessary to comply with any statutory changes must be filed with and approved by the division before the effective date of the changes.

### **Legislation Containing Statutory Changes That May Require Amendments to Insurance Contracts**

#### SB 177 – Insurance Trade Practices: *Effective January 1, 2001*

SB 177 expands consumer protection to insurance policyholders by amending the Unfair Trade Practices Act in AS 21.36. It makes two significant changes to existing law:

1. It gives the division authority to take corrective action against a single unfair act under the Unfair Claims Settlement Practices Act (AS 21.36.125). Before the effective date of the SB 177 amendments, the division could not take corrective action under the Act unless the insurer had engaged in an act or practice with such frequency as to indicate a general business practice.
2. It adds a provision making it a violation for an insurer to deny an insurance claim simply because a particular cause excluded from insurance coverage is in the chain of events leading to a loss, if the excluded cause is secondary to a covered dominant cause of the loss.

#### HB 298 – Required Health Insurance Coverage for Diabetes: *Effective July 27, 2000*

HB 298 amends AS 21.42 to require health care insurers that offer health care insurance plans in the state to provide coverage for outpatient medical nutrition therapy and self-management training or education for diabetes, if prescribed by a health care provider. The bill also requires that health care insurers provide coverage for the cost of treating diabetes, including medication, equipment, and supplies, if the health care insurance plan includes coverage for pharmacy services. Definitions, restrictions, limitations, and modifications pertaining to coverage of diabetes are also included.

HB 416 – Prostate Cancer Screening: *Effective August 29, 2000*

HB 416 amends the existing prostate cancer screening coverage requirement in AS 21.42.395 to *reduce* the ages at which annual prostate cancer screening tests must be covered under a health care insurance plan.

HB 303 – Miscellaneous Insurance Provisions: *Effective May 22, 2000, Except As Indicated*

HB 303 amends Alaska law to

1. allow the director to collect fees electronically.
2. allow the director to adopt risk based capital instructions by order after an open meeting.
3. clarify and update current statutes to reflect the adoption of revised national accounting standards that become effective January 1, 2001; the changes to these statutes are also effective January 1, 2001.
4. correct drafting errors relating to this state's 1997 adoption of the Health Insurance Portability and Accountability Act of 1996.
5. add the following **federal health care insurance mandates**:
  - Mandated coverage for reconstructive surgery following a mastectomy as required under the Women's Health and Cancer Rights Act of 1998. This mandate is added in AS 21.42.400. The federal requirement became effective October 21, 1998.
  - Guaranteed renewability of individual health care insurance policies as required under the Health Insurance Portability and Accountability Act of 1996. This mandate is added in AS 21.51.400. The federal requirement became effective on July 1, 1997.
6. clarify certain coverage and marketing provisions in AS 21.56 relating to **small employer health insurance coverage**, as follows:
  - An insurer may not include employees or dependents who have similar existing coverage in determining whether a defined minimum employee participation level is met.
  - An insurer must offer a plan to a small employer that covers all eligible employees. But after this initial offer, the insurer may issue a health care

insurance plan that covers only those employees the employer selects to be covered under the plan.

- An insurer may not directly or indirectly encourage or instruct a small employer to not file an application for coverage with it or to seek coverage from another insurer because of group size.
- An insurer may not directly or indirectly enter into a contract, agreement, or arrangement with a licensee that provides for or results in compensation that varies based on group size.

#### HB 211 – Health Care Insurance: Managed Care Plans: *Effective January 1, 2001*

HB 211 creates a new chapter (7) in Title 21 (Alaska Insurance Code) to regulate managed care insurance plans. There are 6 major sections covering managed care insurance plans:

1. AS 21.07.010 requires certain provisions to be included in a contract between a provider and a managed care entity, which is defined to include an insurer, and specifically disallows certain provisions.
2. AS 21.07.020 requires certain provisions to be included in a contract between a managed care entity and the group, including provisions establishing internal and external appeal processes.
3. AS 21.07.030 requires that a managed care entity provide a non-network provider option to enrollees with any additional cost for such a provider to be paid by the enrollees.
4. AS 21.07.040 states that an individual's medical and financial information is confidential unless the individual gives written consent or the information is disclosed for certain stated purposes.
5. AS 21.07.050-070 establish standards for an external health care appeal process and the qualifications of an external appeal agency, and limit the liability of an external appeal agency.
6. AS 21.07.080 states that the chapter does not restrict or limit the right of a managed care entity to include coverage for services of a religious nonmedical provider.

#### HB 121 – Dental Care Insurance: *Effective August 20, 2000*

HB121 adds a new section to AS 21.42 that

1. prevents an insurer from including in a health care contract a prohibition against an insured's free choice of a dentist or a restriction against an insured's right to receive full information from a dentist regarding care or treatment options.
2. requires that, in a health care contract that allows treatment plan or utilization review by the insurer, the review must be conducted by a dentist if a dental claim is denied.
3. allows an insurer to reimburse an insured at a different rate when the insured uses a non-network dentist, but requires that the covered expense for a non-network dentist may not be less than that for a network dentist.

4. prohibits a dentist from waiving uncovered dental expenses for which an insured has liability because the insured chose a non-network dentist.

### **Other Adopted Legislation Affecting the Insurance Market but Does Not Contain Provisions That Will Require Amendments to Insurance Contracts**

#### HB 398 – Life and Health Guaranty Association: *Effective September 4, 2000*

HB 398 amends the Alaska Life and Health Guaranty Association (ALHGA) statutes in AS 21.79. The amendments make Alaska law consistent with the most recent National Association of Insurance Commissioners model law. The amendments update and clarify numerous provisions, including provisions relating to the treatment of guaranteed investment contracts, other new products, and liability limits. A provision has been added that allows the director to appoint two public members to the ALHGA board of directors. In general, the changes give greater flexibility to the association in handling an impaired or insolvent life or health insurance company.

#### HB – 310 Alaska Insurance Guaranty Association: *Effective August 9, 2000*

HB 310 amends the Alaska Insurance Guaranty Association Act (AIGA) statutes in AS 21.80. The amendments make Alaska law consistent with the most recent National Association of Insurance Commissioners model law as supported by the National Conference of Insurance Guaranty Funds (NCIGF). Numerous provisions of existing law have been updated and clarified by these amendments. A provision has been added that allows the director to appoint two public members to the board of directors. In general, the changes give greater flexibility to the association in handling an impaired or insolvent property or casualty insurance company.

#### HB 190 – Viatical Settlements: *Effective April 15, 2000*

HB 190 gives the Division of Insurance the authority to regulate the transaction of viatical settlement contracts for the protection of viators, insureds, and insurers and the Division of Banking, Securities, and Corporations the authority to regulate the transaction of viatical settlement contracts primarily for the protection of investors. The Division of Banking, Securities, and Corporations has adopted regulations to implement this new law and the Division of Insurance is in the process of developing regulations to implement the provisions of this law, including licensing standards for viatical settlement providers, representative, and brokers.

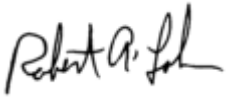
#### HB 380 – Insurer Tax Credit for Gifts to the Fire Standards Council: *Effective July 1, 2000*

HB 380 gives an insurer premium tax credit if the insurer makes contributions to the Alaska Fire Standards Council for fire services programs. The premium tax credit is given on insurance premiums collected for coverage that includes losses due to fire. The amount of credit given is 50 percent of contributions up to \$100,000 plus 100% of the next \$100,000 of contributions up to 50 percent of the insurers tax liability.

Copies of the bills outlined above are available through the State of Alaska website at <http://www.legis.state.ak.us/basis/start.asp>. If you have questions regarding the information provided in this bulletin, please contact Katie Campbell at:

Alaska Division of Insurance  
P.O. Box 110805  
Juneau AK 99811-0805  
(907) 465-4607 (phone)  
(907) 465-3422 (fax)  
[Katie\\_Campbell@dced.state.ak.us](mailto:Katie_Campbell@dced.state.ak.us) (e-mail)

DATE: August 25, 2000

A handwritten signature in black ink, appearing to read "Robert A. Lohr". The signature is written in a cursive style with a prominent initial "R".

Robert A. Lohr  
Director of Insurance