

Alaska Bankers Association

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January 22, 2016

The Honorable John Coghill
Alaska State Senate
1292 Sadler Way, Ste. 340
Fairbanks, AK 99701

Dear Senator Coghill:

Re: Opposition to SB47 - Life Insurance & Annuity Exemptions

Thank you for your recent summary outlining the case for SB47. The Alaska Bankers Association recognizes and appreciates the positive changes to Alaska's laws championed by you and others to help make our state one of the leading trust jurisdictions in the country. The ABA has a history of supporting the modernization of Alaska's trust laws, such as our support for SB15 ([CH13 SLA15](#)) and SB65 ([CH45 SLA13](#)), which we believe were reasonable and appropriate mechanisms to help keep Alaska competitive in providing trust solutions. However, we respectfully oppose the changes proposed under SB47 and appreciate the opportunity to clarify our position.

SB47 proposes to exempt investment property in an unlimited amount, providing a safe harbor in the sheltering of assets from creditors' claims. This is different from the current exemptions from claims set out in the Alaska Exemptions Act, such as longevity bonuses, tuition credits and medical benefits, which are not financial assets or investments by an individual. Rather, they are government entitlements, as are payments under the Senior Benefit Payment Program and compensation and benefits exempt under federal law. Furthermore, up to half of each annual Permanent Fund Dividend is subject to execution. Liquor licenses are not treated as assets under state law and are exempt from execution because they are considered a privilege conferred by government (although transfer of a liquor license is conditioned upon any payment owed to creditors). In addition, AS 09.38.017(a) generally exempts retirement benefits for all individuals, not just public employees or union members.

Under the Alaska Trust Act, creditors' claims prevail if they were extant when property was conveyed in trust. SB47 circumvents the Trust Act's limitations, enabling individuals to put unlimited assets beyond the reach of their creditors. Alaska's banks are committed to providing the credit our businesses and families need to grow and an unintended consequence of SB47 is that it would drastically reduce Alaskans' access to credit because collateral cannot serve as protection for a lender if it is exempt.

Sincerely,



Steve Lundgren, President
Alaska Bankers Association