

April 9, 2025

The Honorable Jesse Bjorkman
Chair, Senate Labor and Commerce Committee
Alaska State Capitol, Room 427
Juneau, AK 99801

The Honorable Kelly Merrick
Vice-Chair, Senate Labor & Commerce Committee
Alaska State Capitol, Room 504
Juneau, AK 99801

Sent Via Email: Senate.Labor.And.Commerce@akleg.gov

RE: Strong Support for Omnibus Senate Bill 132 – An Act relating to insurance; and providing for an effective date

Dear Senators Bjorkman and Merrick,

I write on behalf of United Policyholders to express strong support for SB132, particularly Section 55 which protects Alaska residential property homeowners from the unfair practice of depreciation of labor under insurance policies that do not contain a clear stand-alone labor depreciation endorsement. Section 55 of SB 132 will advance the primary reason people and businesses buy property insurance, which is to have a source of funds to indemnify them after a loss.

United Policyholders is a national non-profit organization that has been informing, helping and advocating for insurance consumers since 1991. Through our Roadmap to Preparedness and Roadmap to Recovery programs, United Policyholders helps Americans protect their assets, reduce risk and reach prompt, fair and full claim settlements with insurance companies after disasters and every day loss events.

Alaska's Director of the Division of Insurance is advancing SB132 (an omnibus bill) and the portion of the bill – which was recently amended and currently sits in Section 55 – that relates to depreciation of labor. Section 55 addresses unfair claim practices that are being reported to her agency by confirming that insurers cannot legally depreciate labor when calculating the value of property following a loss unless the insurance policy contains a stand-alone endorsement that clearly identifies the intangible items subject to depreciation. Importantly, the endorsement allowed for under the bill must have provided a proportionate reduction in premium to the consumer in exchange for the lesser coverage. Section 55 is critical to ensuring that policyholders receive fair and accurate settlements without undue financial burden in the aftermath of a loss. At the same time, Section 55 allows insurance companies and *willing and informed* consumers to sell and buy more affordable insurance policies with labor depreciation endorsements if they so choose.

When insurers reduce claim payouts by depreciating the cost of labor, they fail to indemnify their insureds by failing to cover the full costs of restoring property to pre-loss condition. Improper depreciation of labor by insurance companies creates shortfalls in repair and rebuilding financing for property owners and negatively impacts the local, state, and federal government entities that have an interest in communities' successful economic recovery and the restoration of property tax bases.

Most insurance companies do not depreciate labor when calculating property loss values because, unlike physical materials, labor does not lose value over time. This bill rightfully corrects a harmful industry practice

that disadvantages consumers without warning. By clarifying the appropriate treatment of labor depreciation, SB132 advances loss indemnification, enhances fairness in insurance claim handling, and strengthens consumer protections for Alaska home and business owners.

SB132 also includes other significant consumer protection measures that United Policyholders strongly supports, including:

- **Section 35:** Amends AS 21.36.225, *Notice of health insurance coverage cancellation, coverage change, or premium change*, to remove a current exemption and ensure all consumers are notified in writing by an insurer at least 45 days before an effective date of a policy cancellation.
- **Section 36:** Amends AS 21.36.235, *Notice of premium or coverage changes upon renewal*, subsection (a) to increase the notification period from 20 days to 45 days for both individuals and business or commercial policies when a renewal premium is more than 10% or there are material restrictions or reductions in coverage not requested by the insured.
- **Section 37:** Amends AS 21.36.240, *Failure to renew*, subsection (a) to increase the notification period from 20 days to 45 days for both individuals and business or commercial policies when an insurer fails to renew a policy. Given how much more frequently property owners are non-renewed and how hard it is to procure replacement coverage in today's marketplace, United Policyholders supports extending the notice period even further to 75 days.

We strongly urge the Legislature to pass SB132.

Sincerely,



Amy Bach, Executive Director
United Policyholders

CC:

The Honorable Carolyn Hall
Co-Chair, House Labor and Commerce
State Capitol, Room 124
Juneau, AK 99801

The Honorable Zack Fields
Co-Chair, House Labor and Commerce
State Capitol, Room 124
Juneau, AK 99801

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