

MINUTES
SENATE FINANCE COMMITTEE
March 29, 2006
9:01 a.m.

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately [9:01:27 AM](#).

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Fred Dyson
Senator Bert Stedman
Senator Lyman Hoffman
Senator Donny Olson

Also Attending: DARWIN PETERSON, Staff to Senator Lyda Green;
LINDA HALL, Director, Division of Insurance, Department of
Commerce, Community and Economic Development

Attending via Teleconference: There were no teleconference
participants.

SUMMARY INFORMATION

SB 289-INSURANCE

The Committee heard from the Division of Insurance, Department
of Commerce, Community and Economic Development. One amendment
was adopted, and the bill reported from Committee.

#sb289

CS FOR SENATE BILL NO. 289(L&C)

"An Act relating to the payment of insurer examination
expenses, to the regulation of managed care insurance
plans, to actuarial opinions and supporting documentation
for an insurer, to insurance firms, managing general
agents, and third-party administrators, to eligibility of
surplus lines insurers, to suitability of life and health

insurance policies and annuity contracts, to unfair discrimination under a health insurance policy, to prompt payment of health care insurance claims, to required notice by an insurer, to individual deferred annuities, to direct payment to providers under a health insurance policy, to mental health benefits under a health care insurance plan, to the definitions of 'title insurance limited producer' and of other terms used in the title regulating the practice of the business of insurance, and to small employer health insurance; repealing the Small Employer Health Reinsurance Association; making conforming amendments; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Green informed the Committee that, after conferring with the Division of Insurance, Department of Commerce, Community and Economic Development, an amendment has been developed in order to address concerns raised about this bill. The Division is agreeable to the amendment, as they view the overall value of the bill to exceed the value of the sections addressed in the amendment.

Amendment #1: This amendment deletes "to unfair discrimination under a health insurance policy," following "annuity contracts" in the bill's title on page 1, lines 5 and 6.

In addition, the amendment eliminates Sections 32 and 33 from the bill. The language being removed is located on page 25, line 13 through page 26, line 2.

Co-Chair Green moved to adopt Amendment #1 and objected for explanation.

DARWIN PETERSON, Staff to Senator Lyda Green, affirmed that the amendment would remove Sections 32 and 33. Section 32, which addressed "suitability", would be eliminated because of concerns about its applicability to life and health insurance policies. The language in question would be "problematic" in that it could hold an insurance industry representative responsible "for determining if the consumer is suitable for life and health insurance". A compromise to remove Section 32 from the bill was made after extensive discussions with representatives of the

insurance industry and the Division failed to produce alternate suitable language. Otherwise, continued inclusion of Section 32 would delay the bill's forward progression.

Mr. Peterson stated that the decision to remove Section 33, which amended Alaska Statute (AS) 23.36.090, "the insurance statute dealing with unfair discrimination", was made due to the fact there is no statutory definition as to what constitutes unfair discrimination. The lack of this definition presents "a potentially serious problem for health care providers and insurance companies". Therefore, rather than keeping the bill in Committee to resolve the definition issue, the decision was again made to remove the language from the bill in order to allow the bill to advance.

Mr. Peterson stated that the removal of Section 33 would require the references to unfair discrimination in the bill's title to be eliminated.

Mr. Peterson affirmed that the Director of the Division of Insurance was consulted with and has agreed to Amendment #1.

Co-Chair Green reviewed the language that would be deleted from the bill's title.

Senator Dyson asked the bill sponsor's position on the amendment.

Senator Bunde, Chair of the Senate Labor & Commerce Committee that sponsored the bill, deferred to the Division of Insurance, as the bill was introduced by Request of the Division of Insurance, Department of Commerce, Community and Economic Development.

[9:06:03 AM](#)

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community and Economic Development, affirmed her support for the amendment. She noted that the majority of the language in bills involving the Division is "highly technical". During her initial testimony before the Committee regarding this legislation, she had attempted "to simplify some" of the provisions presented in the bill. The intent of the bill is to change State statutes in order to provide the Division "greater authority to do some consumer protection activities, and the

suitability piece that is Section 32, we have agreed to leave out. We have in Chapter 36 of our title, which is 'Unfair Trade Practices', a number of consumer protections that allow us to do enforcement." A consumer protection case involving an order she had issued was challenged in superior court. That case recently concluded after being argued for ten years. Because the Division's position in that case was successfully defended under existing language, she was "not uncomfortable" with the removal of Section 32. Other provisions in the title would provide consumer protections.

Mr. Hall stated that the removal of Section 33 would not "damage the bill". Other provisions, such as the inclusion of the actuarial opinion, in the bill would benefit the overall performance of the Division. The Division's efforts to increase standardization would not be hampered by the removal of Section 33.

[9:08:17 AM](#)

Senator Dyson assumed that Sections 32 and 33 were originally included to address "some problem". He surmised that the language in Section 33 was an attempt to address endeavors, "particularly by the medical provider field" ... "to get access to third party payments". Section 33 appears to have been "designed to help them not be excluded from some third party payer's list of who they would pay for."

Ms. Hall pointed out that "Section 33 is a list of people, providers that can't be discriminated against. It's in statute today. The only thing that was changed in Section 33 in this bill was to remove the word 'group', and that will still remain in Statute: the inability to discriminate against those providers in any group health care insurance transaction. It doesn't remove that from statute." Section 33 would simply serve to "remove 'group' and make it applicable to individual policies". While the Division has not "particularly had a problem with it ... in much of the bill, we're making some changes in protections under individual policies." Removal of this section would not be problematic. "Most insurance companies as they put together policies today, don't have different standards for individual and group policies. They may have some different underwriting criteria, some different rating, but they have the networks that they set up already, and I don't think that would change as a result of the removal of this provision."

Senator Dyson acknowledged.

Co-Chair Green removed her objection to the Amendment.

Without further objection, Amendment #1 was ADOPTED.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CS SB 289 (FIN) was REPORTED from Committee with previous zero fiscal note #1 from the Department of Commerce, Community and Economic Development.

Co-Chair Green recapped the Committee's upcoming meeting schedule, specifically that hearings on SB 305-OIL AND GAS PRODUCTION TAX would begin Friday, March 31, 2006, pending referral. She also noted that hearings on both SB 305 and the Operating Budget would occur the following week. Subcommittee reports on the Operating Budget must be provided to Co-Chair Wilken by 5:00 PM Monday, April 3, 2006.

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ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at [9:12:39 AM](#).