

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 16, 2006

1:36 p.m.

MEMBERS PRESENT

Senator Con Bunde, Chair
Senator Ralph Seekins, Vice Chair
Senator Ben Stevens

MEMBERS ABSENT

Senator Johnny Ellis
Senator Bettye Davis

COMMITTEE CALENDAR

SENATE BILL NO. 289

"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."

HEARD AND HELD

SENATE BILL NO. 253

"An Act extending the termination date for the Board of Chiropractic Examiners; and providing for an effective date."

MOVED SB 253 OUT OF COMMITTEE

SENATE BILL NO. 254

"An Act extending the termination date for the State Physical Therapy and Occupational Therapy Board; and providing for an effective date."

MOVED SB 254 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 289

SHORT TITLE: INSURANCE

SPONSOR(s): LABOR & COMMERCE BY REQUEST

02/13/06 (S) READ THE FIRST TIME - REFERRALS
02/13/06 (S) L&C, FIN
02/16/06 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 253

SHORT TITLE: EXTEND BOARD OF CHIROPRACTIC EXAMINERS

SPONSOR(s): RULES BY REQUEST OF LEG BUDGET & AUDIT

01/30/06 (S) READ THE FIRST TIME - REFERRALS
01/30/06 (S) L&C, FIN
02/16/06 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 254

SHORT TITLE: EXTEND PT & OCCUPATIONAL THERAPY BOARD

SPONSOR(s): RULES BY REQUEST OF LEG BUDGET & AUDIT

01/30/06 (S) READ THE FIRST TIME - REFERRALS
01/30/06 (S) L&C, FIN
02/16/06 (S) L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

LINDA HALL, Director
Division of Insurance
Department of Commerce, Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Commented on SB 289.

KATIE CAMPBELL, Life and Health Actuary
Division of Insurance
Department of Commerce, Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Answered questions on SB 289.

BEVERLY SMITH
Christian Science Committee on Publication for Alaska
Juneau AK

POSITION STATEMENT: Supported SB 289 with an amendment.

TOM MAHER

Staff to the Legislative Budget and Audit Committee
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Presented SB 253 and SB 254 for the sponsor.

RUTH CARSON

Equinox Physical Therapy
Fairbanks AK

POSITION STATEMENT: Supported SB 254

JULIE AMENT

Physical Therapy Association
Fairbanks AK

POSITION STATEMENT: Supported SB 254.

SUNDI HONDL, President

Alaska Physical Therapy Association
Wasilla AK

POSITION STATEMENT: Supported SB 254.

ACTION NARRATIVE

CHAIR CON BUNDE called the Senate Labor and Commerce Standing Committee meeting to order at [1:36:13 PM](#). Present were Senators Ben Stevens and Chair Con Bunde. Chair Bunde announced that other members were on their way.

SB 289-INSURANCE

CHAIR CON BUNDE announced SB 289 to be up for consideration.

LINDA HALL, Director, Division of Insurance, presented the bill.

[1:38:53 PM](#)

SENATOR RALPH SEEKINS arrived.

[1:39:03 PM](#)

MS. HALL said the majority of the 37 pages deal with issues relating to life health and annuity insurance.

Sections 3 - 23 bring individual health insurance policies into the same statutes as group health insurance policies, so the same protections are there for individuals as for people covered

under group health insurance policies. The biggest protection is a provision for both an internal and an external appeals process for claim denials. The amendments would make the process applicable to the individual policies. Other changes are not substantive and are designed to make the terms consistent with state and federal law.

Section 31 sets a minimum requirement that a person may not recommend a life, health or annuity product to a consumer without reasonable grounds to believe that it is suitable. It would also allow the director to adopt regulations to manage that new requirement. She said that suitability, particularly with annuity products, is receiving national attention particularly with equity index and variable annuities. Standards are being introduced to regulate those products and the department would like to protect its consumers with those standards.

Section 33 is new and contains prompt payment of health claim provisions. Changes were made in annuity products to address surrender charges in sections 35 - 37, called non-forfeiture. They concern excessive surrender charges when the premiums are no longer paid or when the policy is going to be cashed out. Section 40 adds Health Insurance Portability and Accountability Act (HIPAA) mental health parity provisions.

[1:42:57 PM](#)

Section 41 - 43 and 49 repeal the current Small Employer Health Reinsurance Association. It's not being used today, there are only two covered lives in it and administrative costs are \$10,000 to \$12,000 annually. The only company with two covered lives does not object. The end of the bill has a transition provision to allow for the wrap up of it.

The rest of the bill deals with things other than life, health and annuities. Section 24 is an actuarial opinion model law taken from National Association of Insurance Commissioners (NAIC). It's a standard that is already in the life and health lines. This will apply to property casualty insurers. It provides an additional tool the division can use to more quickly identify an insurer that may be in a troubled financial condition. It provides to the division an actuarial opinion summary that would include the actuary's estimates of reasonable estimates of reserves.

Section 28 was basically designed to bring Alaska laws into conformity with laws around the country for managing general

agents that are intermediaries between an insurer and an agent or broker. They have some underwriting authority and sometimes do claims adjustments.

[1:44:09 PM](#)

Section 30 allows the division to publish a list of eligible surplus lines insurers on the website instead of mailing it. This clarifies that failure to pay a continuation fee is grounds for removal from the list and provides authority to reinstate the company under specific provisions including the payment of a late fee.

Section 34 expands authority for electronic communications if electronic confirmation can be obtained. Section 44 modifies the definition to require licensure for any officer or salaried employees of a title insurance company consistent with other license classes. She explained that several years ago, if an employee of an insurance company was dealing with consumers, he also had to be licensed. The electronic communications industry was omitted and they should be all handled equally.

[1:45:42 PM](#)

BUNDE asked her what the "Patients Bill of Rights" that she mentioned in her summary refers to and where it is located.

MS. HALL replied that it is part of Title 21, Chapter 7, and starts in Section 3 of the bill. It refers to the rights patients have when they have contracts and with an insurance company that has a contract with a provider.

MS. HALL said the intent of the bill is not to change protections, but rather to bring individual insurance in line with the same coverage as group health insurance.

CHAIR BUNDE said he also wanted more information on where section 15 is going with religious non-medical providers.

MS. HALL reiterated that it's not the intent to change any substance and that is already statutory language.

[1:48:41 PM](#)

KATIE CAMPBELL, Life and Health Actuary, Division of Insurance, explained that the health care services definition is being repealed because the term "medical care" is replacing it. The "medical care" definition located in the general insurance statutes was developed under the federal HIPAA Act and the

department, as a policy, is trying to conform statutes to that definition.

CHAIR BUNDE asked what activities would occur under section 15.

MS. CAMPBELL read the definition of medical care as follows:

Diagnosis, care, mitigation, treatment or prevention of disease or amounts paid for the purposes of affecting any structure or function of the body.

The definition of health care services as it currently is in statute is basically the treatment of an illness or injury.

[1:51:00 PM](#)

BEVERLY SMITH, Christian Science Committee on Publication for Alaska, said it was confusing to talk about medical care services provided by a religious non-medical provider as proposed in section 15 of SB 289. She stated:

I am satisfied with the use of health care services that is currently in AS 21.07.080 and would recommend that the original language used in the statute be retained. However, if the Division of Insurance feels strongly about the use of 'medical care' in section 15, I would like to see a reference to the definition of 'medical care' provided above inserted in section 15 so that citizens who are reading it will know how broadly the term 'medical care' is defined....

CHAIR BUNDE thanked her for her testimony and announced SB 289 would be set aside for further work.

[1:54:38 PM](#) at ease [1:56:12 PM](#)

SB 253-EXTEND BOARD OF CHIROPRACTIC EXAMINERS

CHAIR CON BUNDE announced SB 253 to be up for consideration.

TOM MAHER, staff to the Legislative Budget and Audit Committee, presented SB 253 that recommended an eight-year extension for the Board of Chiropractic Examiners as per the Legislative Auditor's recommendation.

[1:57:36 PM](#)

SENATOR SEEKINS moved to pass SB 253 from committee with individual recommendations and attached fiscal note. Senators

Seekins, Ben Stevens and Chair Bunde voted yea; and it was so ordered.

SB 254-EXTEND PT & OCCUPATIONAL THERAPY BOARD

CHAIR CON BUNDE announced SB 254 to be up for consideration.

TOM MAHER, staff to the Legislative Budget and Audit Committee, explained that SB 254 extends the Physical Therapy and Occupational Therapy Board due to its continuing public purpose for eight-years as per the Legislative Auditor's recommendation.

[1:58:55 PM](#)

RUTH CARSON, Equinox Physical Therapy, supported SB 254.

JULIE AMENT, Physical Therapy Association, supported SB 254.

SUNDI HONDL, President, Alaska Physical Therapy Association, also supported SB 254.

[2:00:34 PM](#)

SENATOR SEEKINS moved to pass SB 254 from committee with individual recommendations and attached fiscal note. Senators Ben Stevens, Seekins and Chair Bunde voted yea; and it was so ordered.

There being no further business to come before the committee, CHAIR BUNDE adjourned the meeting at [2:01:31 PM](#).