

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

February 8, 2007

1:30 p.m.

**MEMBERS PRESENT**

Senator Johnny Ellis, Chair  
Senator Gary Stevens, Vice Chair  
Senator Bettye Davis  
Senator Lyman Hoffman  
Senator Con Bunde

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 59

"An Act relating to the use of broadcasting to promote charitable raffles and lotteries."

MOVED SB 59 OUT OF COMMITTEE

SENATE BILL NO. 68

"An Act requiring motor vehicle insurers to provide to the commissioner of administration a database listing vehicle insurance policy information that will allow the commissioner to verify whether mandatory motor vehicle insurance has been obtained, limiting access to the database, establishing methods for proving that mandatory motor vehicle insurance is in place, allowing the additional penalties of suspending registration and vehicle impoundment and forfeiture for failure to have mandatory motor vehicle insurance, and authorizing hearings after suspension of registration for failure to have mandatory motor vehicle insurance."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 59

SHORT TITLE: BROADCASTING PROMOTING CHARITABLE GAMING

SPONSOR(s): SENATOR(s) STEVENS

01/19/07	(S)	READ THE FIRST TIME - REFERRALS
01/19/07	(S)	L&C
02/06/07	(S)	L&C AT 1:30 PM BELTZ 211

02/06/07 (S) Heard & Held  
02/06/07 (S) MINUTE(L&C)  
02/08/07 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 68

SHORT TITLE: MOTOR VEHICLE INSURANCE

SPONSOR(S): SENATOR(S) FRENCH

01/26/07 (S) READ THE FIRST TIME - REFERRALS  
01/26/07 (S) L&C, TRA, FIN  
02/08/07 (S) L&C AT 1:30 PM BELTZ 211

**WITNESS REGISTER**

STUART WHITE

KFMJ Radio

Ketchikan AK

**POSITION STATEMENT:** Supported SB 59.

BOB KERN, President

TLP Communications

Ketchikan AK

**POSITION STATEMENT:** Supported SB 59.

JULIE SLANAKER

Rainy Day Quilter Guild and Ketchikan Little League Baseball

Ketchikan AK

**POSITION STATEMENT:** Supported SB 59.

SENATOR HOLLIS FRENCH

Alaska State Capitol

Juneau, AK 99801-1182

**POSITION STATEMENT:** Sponsor of SB 68.

DUANE BANNOCK, Director

Division of Motor Vehicles

Department of Administration

PO Box 110200

Juneau, AK 99811-0200

**POSITION STATEMENT:** Supported SB 68.

KENTON BRINE

Property Casualty Insurers Association of American (PCI)

Olympia WA

**POSITION STATEMENT:** Opposed section 5 of SB 68.

STEVE FLASHER  
Insurance Agent  
Anchorage AK

**POSITION STATEMENT:** Opposed SB 68.

#### **ACTION NARRATIVE**

**CHAIR JOHNNY ELLIS** called the Senate Labor and Commerce Standing Committee meeting to order at [1:30:23 PM](#). Present at the call to order were Senators Davis, Bunde, Stevens and Ellis.

#### **SB 59-BROADCASTING PROMOTING CHARITABLE GAMING**

CHAIR ELLIS announced SB 59 to be up for consideration.

STUART WHITE, KFMJ Radio, Ketchikan, supported SB 59 and said it will not allow more gambling in Alaska. It fixes problems with AS 05.15.640(a) that should have been fixed long ago by enabling over-the-air broadcasters to advertise activities that are already legal. Newspapers are not banned from this activity, but it may deny broadcasters equal protection under federal and state constitutions as well as just being confusing to the potential advertisers who are not aware of this discrepancy.

[1:34:55 PM](#)

SENATOR HOFFMAN joined the committee.

[1:36:30 PM](#)

SENATOR BUNDE stated that Mr. White said this bill would not expand gambling, but he also said advertising on the radio would increase the number of customers who know about a lottery by three or four times. Therefore, he reasoned, it may not increase new kinds of gambling, but it would encourage more people to be involved in gambling.

MR. WHITE countered that non-profit organizations already have the legal right to present these games and, "The fact that they would either survive or go away is kind of the important crux of it there."

He told them that increased ticket sales for groups that contribute to the community would be a positive result and that new types of gambling, like riverboats and Bali's, wouldn't happen here.

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BOB KERN, President, TLP Communications, Ketchikan, said TLP owns and operates KFMJ Radio and publishes the local newspaper. He supported Mr. White's comments and expanded specifically on the huge confusion among broadcasters between what the state and federal governments allow. He thought this legislation would prevent station owners from being fined or having their licenses threatened by the actions of employees or others who are misunderstanding the conflicting regulations they have to deal with. What is legal to broadcast in 48 of the United States is not legal in Alaska.

Another issue he clarified is that gaming spots could be allowed to be broadcast as free public service announcements (PSAs). In fact, though, most of the day air-time is sold out and any free PSAs get relegated to the midnight to 5 a.m. time period, which would do the non-profits very little good. Newspapers don't give away their space and he didn't think radio stations should have to either.

MR. KERN also added that passing this legislation would clarify how to advertise self-conducted lotteries and that the definition of "broadcasting" should include the Internet. He said that just putting up a web page that anyone can click on is broadcasting and that audio is now getting streamed regularly.

He suggested deleting the broadcasting definition section in SB 68 because he didn't know of anybody in television or radio who transmitted by 2,500 megahertz. He also didn't know of anybody who broadcasts on microwave video since it is a point to point communication system; and slow-scan television has not been used for years by anyone except maybe amateur operators. He suggested deleting "programming by way of satellite, cable teletype", which nobody uses anymore, and "or facsimile transmission and distribution methods". He suggested inserting "digital distribution methods", since so many stations are transmitting in the digital mode now, which is not exactly in the traditional definition of broadcasting.

He also suggested that the state and federal regulations should be more aligned with each other. As an example, he related that a Ketchikan station was reported to the FCC for broadcasting lottery information and promoting it quite heavily last year. The FCC ruled:

Although 18 USC 13.04 prohibits the broadcast of information concerning a lottery, 18 USC 13.07(a)(2)(a) states that the provision of 18 USC

13.04 shall not apply to an advertisement concerning a lottery that is authorized or otherwise not prohibited by the state in which it is conducted and which is conducted by a not-for-profit organization. The information before us indicates [the American Diabetes Association (ADA)] is a not-for-profit organization that has conducted the event and raffle as fund raisers and that the State of Alaska had given the ADA a charitable gaming permit for the period covered by the event. Thus, [the FCC says] it appears that the stations did not violate 18 USC 13.04 or the related commission rule in as much as their provisions specifically are not applicable to advertisements about events which are conducted by the American Diabetes Association. Therefore, we close this matter.

1:49:16 PM

JULIE SLANAKER, Rainy Day Quilter Guild and Ketchikan Little League Baseball, said she has been a fund-raising officer for both of these non-profit organizations for the last three years and she has noticed it's more difficult than ever to raise funds for both groups' expenses. The Quilt Guild that has two raffles every year would do significantly better if she were able to advertise on the radio.

She said that one thing parents and kids can still participate in is selling raffle tickets. In Ketchikan, every charitable organization has raffle tickets at different times of the year and the more people who know about a raffle, the more tickets can be sold. It costs a lot to advertise in the paper - a single ad for one day runs about \$80 with a nonprofit rate. For that same \$80 she could advertise with KFMJ and receive a week's worth of advertising that would promote one of her raffles in a much more efficient manner.

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CHAIR ELLIS thanked her for her comments and closed the public hearing. He set SB 59 aside, but said he would take it up later in the meeting.

#### **SB 68-MOTOR VEHICLE INSURANCE**

CHAIR ELLIS announced SB 68 to be up for consideration.

SENATOR HOLLIS FRENCH, sponsor of SB 68, said the purpose of the bill is to help people who have auto insurance and are affected by those who do not.

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SENATOR FRENCH said the Insurance Research Council, a national group, estimated that those who don't have insurance make up about 14-15 percent of drivers on Alaska's roads; but of 18,000 accidents that happened here in 2006, 28 percent of the drivers involved didn't carry insurance. So, a riskier and less responsible population is causing harm far out of proportion to what people might expect. What all of us pay each month to cover the risk of being injured by an uninsured motorist is about 6 percent of a full coverage policy or 14 percent of just bare-bones liability policy. That translates into \$75 - \$80 per year that each Alaskan has to pay to cover the risk of being injured by an uninsured motorist.

He said that currently, there is no real method for enforcing the uninsured motorist laws and the genesis of SB 68 is to take advantage of modern data-base capabilities and allow the insurance industry database to communicate with the Division of Motor Vehicles (DMV) about the number of uninsured motorists each month.

SENATOR FRENCH explained that the DMV could make a list each month of all known registered vehicles and compare that to a list of all known insurance policies. The lack of insurance could be communicated to the uninsured motorists with a warning about losing their car registration if they didn't get insurance within the next 30 days.

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DUANE BANNOCK, Director, Division of Motor Vehicles, supported Senator French's comments and said they share the goal of reducing uninsured vehicles. He said he would be happy to answer questions.

[2:00:00 PM](#)

SENATOR BUNDE agreed that he wanted fewer uninsured drivers on the road and asked what the violation rate was of people who drive with a suspended license. He asked if that information could somehow be interfaced with an uninsured driver's data base.

MR. BANNOCK responded that he would attempt to get that information for him.

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SENATOR BUNDE said that safe highways have a cost and using the user cost/user pay philosophy, he asked Mr. Bannock if he planned to increase drivers license fees to pay for this program or to make a request from the general fund.

MR. BANNOCK replied that the department is not proposing to increase the cost of a driver's license. He added that even with the DMV's hefty fiscal note for SB 68, it still contributes nearly five times as much to the general fund as it takes for operating expenses.

SENATOR BUNDE responded that in the next year or so, that contribution might become even more significant and he did not look forward to a decrease in their contribution.

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KENTON BRINE, Property Casualty Insurers Association of American (PCI), said that PCI's members represent about 40 percent of the auto insurance market across the country. While he shares drivers' and policy makers' frustration about the percentage of drivers who drive without insurance coverage, he said that insurers typically are not in favor of mandatory auto liability insurance laws even though nearly every state has one. They don't have a great deal of effectiveness in deterring people who are determined to drive without insurance, he stated. When states attempt to enforce laws, there is a spike in compliance for a period of time and then members gradually drift back out to where they were previous to that.

MR. BRINE said he had also looked at the same Insurance Research Council's numbers as Senator French and had no quarrel with those, but what insurers have seen is that programs, particularly the electronic database programs, have not proven themselves to be highly effective ways of either tracking or changing compliance levels with uninsured motorists. The reason varies from state to state. In some cases, it's not known if they aren't effective because of the questionable methods used in determining their effectiveness. Utah, as an example, changed the reporting requirements on insurers from once a month to twice a month. The vendor that was hired by Utah to administer the database matching program, called Insure Write, found its uninsured motorist rate dropped to 5 percent thanks to the efforts of this program. But the Insurance Research Council, which uses a comparison of uninsured motorists claim frequency to bodily injury claim frequency numbers to determine an estimate of uninsured motorists pegged the rate of uninsured

drivers in Utah to be about 10 percent - about double of what Insure Write claims was their success rate.

Further he has found through studies across the board that at best people are not sure that these programs work and at worst they are fairly sure they don't work. And the costs for instituting them are borne by consumers and insurers. Frequent small mistakes are made, as well, in things like the recording of a vehicle identification number (VIN) or something else in the reporting to the state.

Looking at the broader issue of uninsured motorists, Mr. Brine said it might be useful to consider what things can be done in the insurance marketplace to make insurance more attractive for people to buy. He admitted that the reason some people just won't buy liability insurance coverage is because some might feel they don't have adequate assets to protect.

MR. BRINE said that some states have considered creating a policy with lower limits; litigation costs could be examined and the rate quote process could be speeded up by allowing access to a web database of driver records for insurance companies. Alaska is currently one of four states in the country that doesn't allow insurers to look at driver records in an online real time web based format.

He also mentioned that in California, which has a very high rate of uninsured drivers, the voters passed an initiative saying that uninsured motorists involved in an accident that wasn't their fault can't collect noneconomic damages. He concluded saying that he would be pleased to work with the committee about experiences across the country with these programs, but today he was opposed to section 5 of SB 68.

[2:12:15 PM](#)

SENATOR BUNDE asked if Alaska's underinsured and uninsured coverage would protect his assets if were in an accident with an uninsured person.

MR. BRINE replied yes.

SENATOR BUNDE asked if uninsured people who are involved in a disproportionate number of accidents belong in a higher risk pool. What would it do to his rates, for instance?

MR. BRINE replied that the idea behind insurance is to pool people with people of similar risks and not pooling higher risk

people in with the lowest risk people in order to balance out the cost.

2:15:43 PM

SENATOR BUNDE said Utah went to twice a month reporting and asked what impact that would have on rates.

MR. BRINE said he didn't have the chance to investigate what the costs are because the law was passed so fast, but he has heard that it is costly because it is computer based and a lot of reformatting has to be done. The initiation is costly as well. However, he agreed with Senator Bunde that "gaming the system" is very real and no matter what, people who are determined to do so, will be able to get some proof of insurance that isn't real or purchase insurance, hold it long enough to have the reporting go through and cancel it. He added that the effectiveness of electronic database programs is also questionable and it's not known how accurate the database would be from month to month.

2:18:13 PM

STEVE FLASHER, Anchorage Insurance Agent, said on the surface SB 68 sounds great, but he has some concerns - like would the vendor be able to sell the information to other insurance companies or what if a name is misspelled on the insurance policy or the VIN number, which is 17 numbers, is wrong. He deals with credit unions and banks on correcting those all the time. Another issue is timeliness of reporting. Ultimately, he said, all the costs will be passed on to the insurance companies that will raise the rates of their current carriers. He didn't think this program would be very successful and said he thought the reason there is such a high number of uninsured drivers is basically because the cost of insurance is so high and all this does is add to that cost.

Lastly, he said SB 68 just adds another layer of bureaucracy when it already takes his office two or three days to obtain a customer's motor vehicle report (MVR) information. That slows the whole process of being able to accurately quote and put policies into force.

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SENATOR FRENCH commented that he continues to work with industry and the division to bring costs down and make the program more effective.

CHAIR ELLIS said the bill will be brought up again and set it aside.

**SB 59-BROADCASTING PROMOTING CHARITABLE GAMING**

CHAIR ELLIS announced SB 59 to be back before the committee and asked if there was any committee discussion. There was none.

[2:24:32 PM](#)

SENATOR STEVENS moved to pass SB 59 with the attached fiscal and individual recommendations. There were no objections and SB 59 moved out of committee.

There being no further business to come before the committee, Chair Ellis adjourned the meeting at [2:27:36 PM](#).