

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 5, 2008
11:11 a.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis

MEMBERS ABSENT

Senator Lyman Hoffman
Senator Con Bunde

COMMITTEE CALENDAR

SENATE BILL NO. 280

"An Act requiring health care insurers to provide insurance coverage for medical care received by a patient during certain approved clinical trials designed to test and improve prevention, diagnosis, treatment, or palliation of cancer; directing the Department of Health and Social Services to provide Medicaid services to persons who participate in clinical trials; relating to experimental treatments; and providing for an effective date."

MOVED CSSB 280(HES) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 331(L&C)

"An Act relating to motor vehicle insurance, license suspensions, and notices relating to motor vehicles and notices relating to driver's licenses."

MOVED CSHB 331(L&C) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 297(RLS)

"An Act relating to student permits authorized by the Board of Veterinary Examiners; and relating to the application of certain statutes pertaining to veterinarians and veterinary practice to certain persons."

HEARD AND HELD

HOUSE JOINT RESOLUTION NO. 24 am

Opposing any law that would establish a federal insurance regulatory system.

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 280

SHORT TITLE: MEDICAID/ INS FOR CANCER CLINICAL TRIALS

SPONSOR(s): SENATOR(s) DAVIS

02/19/08 (S) READ THE FIRST TIME - REFERRALS
02/19/08 (S) HES, L&C, FIN
03/14/08 (S) HES AT 1:30 PM BUTROVICH 205
03/14/08 (S) Heard & Held
03/14/08 (S) MINUTE(HES)
03/26/08 (S) HES AT 1:30 PM BUTROVICH 205
03/26/08 (S) Moved CSSB 280(HES) Out of Committee
03/26/08 (S) MINUTE(HES)
03/27/08 (S) HES RPT CS 2DP 3NR NEW TITLE
03/27/08 (S) DP: DAVIS, THOMAS
03/27/08 (S) NR: ELTON, COWDERY, DYSON
04/03/08 (S) L&C AT 1:30 PM BELTZ 211
04/03/08 (S) Heard & Held
04/03/08 (S) MINUTE(L&C)
04/05/08 (S) L&C AT 11:00 AM BELTZ 211

BILL: HB 331

SHORT TITLE: MOTOR VEHICLES:LICENSES/INSURANCE/NOTICES

SPONSOR(s): REPRESENTATIVE(s) ROSES

01/18/08 (H) READ THE FIRST TIME - REFERRALS
01/18/08 (H) L&C, JUD
02/20/08 (H) L&C AT 3:00 PM CAPITOL 17
02/20/08 (H) Moved CSHB 331(L&C) Out of Committee
02/20/08 (H) MINUTE(L&C)
02/21/08 (H) L&C RPT CS(L&C) NT 1DP 3NR 3AM
02/21/08 (H) DP: GARDNER
02/21/08 (H) NR: LEDOUX, RAMRAS, OLSON
02/21/08 (H) AM: BUCH, NEUMAN, GATTO
03/12/08 (H) JUD AT 1:00 PM CAPITOL 120
03/12/08 (H) Moved CSHB 331(L&C) Out of Committee
03/12/08 (H) MINUTE(JUD)
03/13/08 (H) JUD RPT CS(L&C) NT 3DP 3NR
03/13/08 (H) DP: COGHILL, DAHLSTROM, RAMRAS
03/13/08 (H) NR: GRUENBERG, SAMUELS, HOLMES
03/19/08 (H) TRANSMITTED TO (S)
03/19/08 (H) VERSION: CSHB 331(L&C)
03/21/08 (S) READ THE FIRST TIME - REFERRALS
03/21/08 (S) L&C, JUD
04/03/08 (S) L&C AT 1:30 PM BELTZ 211
04/03/08 (S) Heard & Held

04/03/08 (S) MINUTE(L&C)
04/05/08 (S) L&C AT 11:00 AM BELTZ 211

BILL: HB 297

SHORT TITLE: PRACTICE OF VETERINARY MEDICINE

SPONSOR(S): REPRESENTATIVE(S) NEUMAN

01/11/08 (H) PREFILE RELEASED 1/11/08
01/15/08 (H) READ THE FIRST TIME - REFERRALS
01/15/08 (H) L&C
02/08/08 (H) L&C AT 3:00 PM CAPITOL 17
02/08/08 (H) Moved CSHB 297(L&C) Out of Committee
02/08/08 (H) MINUTE(L&C)
02/13/08 (H) L&C RPT CS(L&C) 6DP 1NR
02/13/08 (H) DP: GARDNER, BUCH, NEUMAN, GATTO,
RAMRAS, OLSON
02/13/08 (H) NR: LEDOUX
03/12/08 (H) RLS AT 5:00 PM BARNES 124
03/12/08 (H) Heard & Held
03/12/08 (H) MINUTE(RLS)
03/13/08 (H) RULES TO CALENDAR PENDING REPORT
03/13/08 (H) IN RULES
03/19/08 (H) RLS AT 5:00 PM CAPITOL 120
03/19/08 (H) Moved CSHB 297(RLS) Out of Committee
03/19/08 (H) MINUTE(RLS)
03/20/08 (H) RLS RPT CS(RLS) NT 3DP 2NR 2AM
03/20/08 (H) DP: FAIRCLOUGH, SAMUELS, COGHILL
03/20/08 (H) NR: JOHNSON, HARRIS
03/20/08 (H) AM: KERTTULA, GUTTENBERG
03/26/08 (H) TRANSMITTED TO (S)
03/26/08 (H) VERSION: CSHB 297(RLS)
03/27/08 (S) READ THE FIRST TIME - REFERRALS
03/27/08 (S) L&C
04/05/08 (S) L&C AT 11:00 AM BELTZ 211

BILL: HJR 24

SHORT TITLE: OPPOSING FEDERAL INSURANCE REGULATION

SPONSOR(S): REPRESENTATIVE(S) COGHILL

05/09/07 (H) READ THE FIRST TIME - REFERRALS
05/09/07 (H) L&C
02/13/08 (H) L&C AT 3:00 PM CAPITOL 17
02/13/08 (H) Moved Out of Committee
02/13/08 (H) MINUTE(L&C)
02/15/08 (H) L&C RPT 3DP 2NR
02/15/08 (H) DP: GARDNER, BUCH, OLSON
02/15/08 (H) NR: LEDOUX, GATTO

03/28/08 (H) TRANSMITTED TO (S)
03/28/08 (H) VERSION: HJR 24 AM
03/31/08 (S) READ THE FIRST TIME - REFERRALS
03/31/08 (S) L&C
04/05/08 (S) L&C AT 11:00 AM BELTZ 211

WITNESS REGISTER

CRYSTAL KOENEMAN
Staff to Representative Roses
Alaska State Capitol
Juneau, AK

POSITION STATEMENT:

REPRESENTATIVE MARK NEUMAN
Alaska State Capitol
Juneau, AK

POSITION STATEMENT: Sponsor of HB 297.

JENNIFER STRIKLER
Licensing Chief
Division of Corporations, Businesses and Professional Licensing
Department of Commerce, Community & Economic Development
Juneau, AK

POSITION STATEMENT: Supported CSHB 297(RLS).

KAREN LIDSTER
Staff to Representative Coghill
Alaska State Capitol
Juneau, AK

POSITION STATEMENT: Commented on HJR 24 for the sponsor.

LINDA HALL, Director
Division of Insurance
Department of Commerce, Community & Economic Development
Juneau, AK

POSITION STATEMENT: Supported HJR 24.

JOHN GRUMMETT, President
Alaska Independent Agents and Brokers
Juneau, AK

POSITION STATEMENT: Supported HJR 24.

ACTION NARRATIVE

CHAIR JOHNNY ELLIS called the Senate Labor and Commerce Standing Committee meeting to order at [11:11:29 AM](#). Present at the call to order were Senators Davis, Stevens and Ellis.

SB 280-MEDICAID/ INS FOR CANCER CLINICAL TRIALS

[11:12:33 AM](#)

CHAIR ELLIS announced SB 280 to be up for consideration. CSSB 280(HES) was before the committee.

SENATOR DAVIS moved to report CSSB 280(HES) from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

CSHB 331(L&C)-MOTOR VEHICLES:LICENSES/INSURANCE/NOTICES

[11:14:53 AM](#)

CHAIR ELLIS announced CSHB 331(L&C) to be up for consideration. He said the director of the DMV testified there was no problem implementing the address issue and submitted a zero fiscal note.

CRYSTAL KOENEMAN, staff to Representative Roses, sponsor of HB 331, said that was correct.

SENATOR STEVENS moved to report CSHB 331(L&C) from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

CSHB 297(RLS)-PRACTICE OF VETERINARY MEDICINE

[11:16:01 AM](#)

CHAIR ELLIS announced CSHB 297(RLS) to be up for consideration.

REPRESENTATIVE MARK NEUMAN, sponsor of HB 297, explained that it allows the Alaska State Board of Veterinary Medicine to issue a particular permit to students who are in their fourth year of professional licensing practicing veterinary medicine. The permit would allow them to practice inside of a veterinary clinic in Alaska to get some experience before practicing on their own. Alaska has less than 200 veterinarians and about 70 technicians and more need to be encouraged to come up and stay.

He said HB 297 somewhat cleans up language by allowing the mailing of the student permits by the Department of Commerce, Community & Economic Development, Division of Occupational Licensing. It exempts certain people from obtaining a special license if they already have a federal license - if they are

practicing on a military base or if they are licensed by the military or a federal agency. It also allows for a special permit for people who have a special field of medicine to come up to work at the Alaska Zoo or the Sea Life Center.

SENATOR STEVENS asked the position of the State Veterinary Association.

REPRESENTATIVE NEUMAN replied HB 297 is fully supported by the Association and veterinarians across the state of Alaska.

[11:19:34 AM](#)

JENNIFER STRIKLER, Licensing Chief, Division of Corporations, Businesses and Professional Licensing, Department of Commerce, Community & Economic Development, fully supported CSHB 297(RLS). She said the Board of Veterinary Examiners has wanted to make these changes for a number of years.

CHAIR ELLIS noted that an email from Nelson Pridy, President, Alaska State Veterinary Medical Association, saying that an issue relating to reporting of animal cruelty will be addressed by the Board of Veterinary Examiners in its May meeting.

MS. STRIKLER responded that is correct. Reporting of cruelty to animals has been a concern of some veterinarians who had issues because the board didn't take the issue up and sought to encourage change by statute. However, the board has promised to address their concerns on this issue at its May meeting.

She explained that she and her staff have gone through the records to make sure they didn't miss a concern that was brought before the board even though Dr. Bowser, member of the board, testified before House Rules that in his five years with the board the issue about reporting cruelty to animals had never been brought up.

CHAIR ELLIS said cruelty to animals has existed forever, unfortunately, and asked if it's now an official board item.

MS. STRIKLER replied yes.

CHAIR ELLIS said CSHB 297(RLS) would be held for further work.

HJR 24 am - OPPOSING FEDERAL INSURANCE REGULATION

[11:23:53 AM](#)

CHAIR ELLIS announced HJR 24 am to be up for consideration.

KAREN LIDSTER, staff to Representative Coghill, sponsor of HJR 24, said HJR 24 am opposes a federal regulatory insurance system. It opposes attempts by Congress to divide the insurance regulation between the states and the federal government. The "optional federal charter" has been introduced in both chambers of the U.S. Congress. To avoid such a move by Congress to enact federal regulation of insurance, the legislature passed HB 439 unanimously on May 2006. This bill added Alaska to the Interstate Insurance Product Regulation Compact. This commission comprised of 30 states, serves as a single point of filing for specified insurance products and establishes uniform national standards for those products. HJR 24 am affirms Alaska's opposition to the federal government attempting to supersede state regulation of insurance.

MS. LIDSTER said that Representative Gruenberg added a floor amendment stating a further resolve that the Alaska State Legislature opposes any attempt to weaken the current state regulation of insurance.

SENATOR STEVENS asked for an explanation of the McCarran-Ferguson Act. He didn't really know why it was in the resolution.

MS. LIDSTER responded that she would let the director of the Division of Insurance address that.

[11:26:58 AM](#)

CHAIR ELLIS asked if they are talking about who has the authority to regulate, a turf issue, or was the sponsor trying to get at national policy toward health insurance on consumer issues.

MS. LIDSTER replied that initially the resolution was trying to let the federal government know that opening up an optional federal charter would split insurance regulation between state or federal regulation and the states want to retain that authority.

[11:29:13 AM](#)

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community & Economic Development, said she supported HJR 24 am. She stated that insurance regulation is a turf war; national life insurance companies have questioned why they would go through 50 different jurisdictions. So, there have been some attempts at having a dual regulation in which companies doing

business nationally could elect to be regulated under a federal regulator and companies that are regional or in-state would choose to be regulated by the state. In her mind, that would indicate an increasing encroachment by the federal regulator into the business that has been the state's sole obligation or authority so far.

11:30:58 AM

She explained that Congress passed the McCarran-Ferguson Act in 1945; it gave regulatory jurisdiction over the "business of insurance" to the states and preempted the states from coming under any federal laws including federal anti-trust laws without specifically saying these apply to insurance. This has occurred a couple of times post-McCarran-Ferguson. For instance, the Employee Retirement and Income Security Act of 1974 (ERISA) is an exception to the preemption that specifically gave that authority back to the federal government.

MS. HALL said in addition to the bills that have been introduced in both bodies of Congress, on Monday the Treasury Department issued a report that is very over-reaching and changes how all financial institutions are regulated. It is called "The Blueprint for Modernized Financial Regulatory Structure." It deals with changing how banks, thrifts and insurance are regulated and proposes a federal regulator. It has drawn a lot of comments.

She said she wanted to leave them with two things today. One comes from the National Conference of Insurance Legislators (NCOIL) that strongly opposes this resolution in two ways. She read from a press release that said Representative Kennedy indicated:

The report draws state insurance regulation which is constantly developing and responding to its healthy competitive markets into the fray along with less regulated and less accountable financial services sectors, such as banks, thrifts and securities that are presently managed by the federal government....

She said people are concerned about oversight and she heard an insurance company trade association speak to CNN on Monday after this report was released about regulation at a federal level and it would not be the same as the regulation the state has today. The two primary areas of regulations she deals with are financial oversight solvency regulation and consumer protection.

MS. HALL said she wanted to make consumer protection real. Her department has a consumer services section and it gets 400-600 official consumer complaints a year plus lots of phone calls where they provide assistance in other ways. She explained when a complaint is closed she does a confidential survey. Someone took the time to write a three-page letter expressing gratitude for her quick and effective response to an issue for which they initially received \$20,000 and other regular payments. She didn't think a federal regulator would ever provide that level of assistance.

SENATOR STEVENS said he was concerned because it says the legislature opposes anything that would establish a federal insurance regulator, but it also says "or otherwise alter the McCarran-Ferguson Act." He needed to know what was in the McCarran-Ferguson Act.

[11:37:25 AM](#)

MS. HALL answered she was not an expert.

SENATOR STEVENS was concerned about the broadness of that statement.

CHAIR ELLIS asked for clarification of what is encompassed in that act saying the committee wanted assurance that HJR 24 is just about insurance regulation.

[11:38:49 AM](#)

JOHN GRUMMETT, President, Alaska Independent Agents and Brokers, supported HJR 24. He said he is also Vice President of Shattuck and Grummett in Juneau. He supported Ms. Hall's statements about this being an issue of consumer protection and a level of responsiveness to them. He said they are against federal regulation for a variety of reasons. State Farm Insurance opposes it, as well, as indicated in a letter in their packets.

MR. GRUMMETT said there are things agents and brokers want to improve, but they don't need a federal regulatory system to do that. They have to do with surplus lines, reinsurance reform and agent and company licensing reform.

He said from the property casualty angle introducing federal regulation as an option would result in agents and brokers having to become experts in two different regulatory environments and it would be more confusing for the consumer to try to distinguish between the two. Small insurance companies would be at a competitive disadvantage.

[11:41:34 AM](#)

Further he said the premium tax in Alaska is third or fourth in the country, and the general fund contribution last year was \$46 million; that would go away. The feds say it would be optional and they wouldn't want a premium tax, but the national companies wouldn't want to be regulated by the feds and still keep paying taxes to the state.

CHAIR ELLIS thanked everyone for the remarks and said he would hold the bill for further work. There being no further business to come before the committee, he adjourned the meeting at [11:43:38 AM](#).