

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

March 20, 2009

3:20 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative John Coghill  
Representative Bob Lynn  
Representative Lindsey Holmes

**MEMBERS ABSENT**

Representative Mark Neuman, Vice Chair  
Representative Mike Chenault  
Representative Robert L. "Bob" Buch

**COMMITTEE CALENDAR**

HOUSE BILL NO. 175

"An Act relating to insurance, including treating as confidential certain information submitted to the director of insurance by the National Association of Insurance Commissioners; clarifying conditions for the release of insurer deposits; defining travel insurance that may be sold under a travel insurance limited producer license; establishing criteria for licensing of nonresident independent adjusters as resident adjusters; exempting rewards under a wellness program from treatment as insurance discrimination or rebating; making certain insurance required of the Comprehensive Health Insurance Association permissive rather than mandatory; providing for the administration of loss reimbursement policies and payments to guaranty associations during insolvency proceedings; making certain provisions relating to statements on applications and guaranteed renewability for individual health insurance applicable to hospital and medical service corporations; making public certain forms and related documents filed for approval by a hospital or medical service corporation after the filing becomes effective; relating to deposits of self-funded multiple employer welfare arrangements; repealing reasons that the director of insurance may use to deny or revoke a license; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 22

"An Act relating to requiring subcontractors who do not have employees and who are acting as independent contractors to secure payment for workers' compensation, and to requiring subcontractors who fail to secure payment of workers' compensation to pay additional premiums incurred by contractors because of that failure."

- HEARD AND HELD

HOUSE CONCURRENT RESOLUTION NO. 1  
Encouraging the installation of fire sprinkler systems in residences.

- MOVED CSHCR 1(L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 22

SHORT TITLE: WORKERS' COMPENSATION: SUBCONTRACTORS  
SPONSOR(S): REPRESENTATIVE(S) CRAWFORD, BUCH

01/20/09	(H)	PREFILE RELEASED 1/9/09
01/20/09	(H)	READ THE FIRST TIME - REFERRALS
01/20/09	(H)	L&C, FIN
02/16/09	(H)	L&C AT 3:15 PM BARNES 124
02/16/09	(H)	Heard & Held
02/16/09	(H)	MINUTE(L&C)
03/20/09	(H)	L&C AT 3:15 PM BARNES 124

BILL: HCR 1

SHORT TITLE: RESIDENTIAL FIRE SPRINKLER SYSTEMS  
SPONSOR(S): REPRESENTATIVE(S) SEATON

01/20/09	(H)	READ THE FIRST TIME - REFERRALS
01/20/09	(H)	L&C
03/20/09	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

LINDA HALL, Director  
Division of Insurance, Anchorage Office  
Department of Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of HB 175.

REPRESENTATIVE HARRY CRAWFORD

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as one of the joint prime sponsors of HB 22.

PAUL GROSSI, Staff  
Representative Harry Crawford  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 22, on behalf of one of the joint prime sponsors of HB 22, Representative Harry Crawford.

ALAN WILSON, Owner  
Alaska Renovators, Inc.  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 22.

BRONSON FRYE, Business Representative  
Painters & Allied Trades Local 1959 (IUPAT Local 1959)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 22.

CHRIS GREGG  
Painters and Allied Trades Local 1959 (IUPAT Local 1959)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 22.

DARRYL KLOEPFER, Vice-President  
Pacific Partition Systems  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 22.

MICHAEL GALIOTO  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 22.

KEITH MONTGOMERY  
Carpenters Local 1281,  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 22.

REPRESENTATIVE PAUL SEATON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as prime sponsor of HCR 1.

JEFF TUCKER

Alaska Fire Chiefs Association (AFCA)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HCR 1.

JEFF FEID, Loss Mitigation Administrator  
State Farm Insurance  
Bloomington, IL

**POSITION STATEMENT:** Testified during the discussion of HCR 1.

PAUL MICHELSON  
Alaska State Home Builders Association (ASHBA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HCR 1.

KELLY NICOLELLO, Assistant Fire Marshal  
Division of Fire and Life Safety  
Central Office  
Department of Public Safety (DPS)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HCR 1.

GREY MITCHELL, Director  
Central Office  
Division of Labor Standards & Safety  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of HCR 1.

#### **ACTION NARRATIVE**

[3:20:29 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Lynn, Coghill, Holmes, and Olson were present at the call to order. Representative Berta Gardner was also in attendance.

HB 175-INSURANCE

[3:20:37 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 175, "An Act relating to insurance, including treating as confidential certain information submitted to the director of insurance by the National Association of Insurance Commissioners; clarifying conditions for the release of insurer deposits; defining travel insurance that may be sold under a

travel insurance limited producer license; establishing criteria for licensing of nonresident independent adjusters as resident adjusters; exempting rewards under a wellness program from treatment as insurance discrimination or rebating; making certain insurance required of the Comprehensive Health Insurance Association permissive rather than mandatory; providing for the administration of loss reimbursement policies and payments to guaranty associations during insolvency proceedings; making certain provisions relating to statements on applications and guaranteed renewability for individual health insurance applicable to hospital and medical service corporations; making public certain forms and related documents filed for approval by a hospital or medical service corporation after the filing becomes effective; relating to deposits of self-funded multiple employer welfare arrangements; repealing reasons that the director of insurance may use to deny or revoke a license; and providing for an effective date."

[3:21:11 PM](#)

LINDA HALL, Director, Division of Insurance, Anchorage Office, Department of Community & Economic Development (DCCED), introduced herself.

REPRESENTATIVE COGHILL moved to adopt the proposed committee substitute (CS) for HB 175, Version 26-LS0579\S, Bailey, 3/16/09, as the work draft. There being no objection, Version S was adopted as the work draft.

[3:21:52 PM](#)

MS. HALL explained the only change in Version S is the removal of Sections 25 and 26, relating to receivership and liquidation statutes for lost reimbursement policies and early access to funds from an insolvent insurer. She indicated some concern was expressed about the language and the division did not believe the provisions were critical so the language was removed from the bill. She emphasized the remainder of HB 175 did not have any changes.

[3:22:37 PM](#)

CHAIR OLSON announced that he would hold over HB 175 for further consideration to allow stakeholders to review the changes.

HB 22-WORKERS' COMPENSATION: SUBCONTRACTORS

[3:22:51 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 22, "An Act relating to requiring subcontractors who do not have employees and who are acting as independent contractors to secure payment for workers' compensation, and to requiring subcontractors who fail to secure payment of workers' compensation to pay additional premiums incurred by contractors because of that failure."

[3:22:56 PM](#)

REPRESENTATIVE HARRY CRAWFORD, Alaska State Legislature, as one of the joint prime sponsors of HB 22, related his long-standing passion for this issue. He offered his belief that HB 22 would "level the playing field." He explained that currently a number of subcontractors claim to be owner/operators and not employees. He opined that some subcontractors have a legitimate claim, but others do not. This bill removes the uncertainty, and requires everyone who subcontracts to a general contractor to obtain workers' compensation insurance.

CHAIR OLSON announced that a committee substitute (CS) is forthcoming. He offered his hope that the CS would pass and become the nationwide model.

PAUL GROSSI, Staff, Representative Harry Crawford, Alaska State Legislature, stated that he has reviewed the proposed committee substitute. He opined that the committee substitute would "work."

[3:26:15 PM](#)

ALAN WILSON, Owner, Alaska Renovators, Inc., stated that he is a Juneau-based homebuilder. He related that this issue has been around for some time. He explained that the primary issue is that in the homebuilding industry, contractors use numerous sole proprietor subcontractors such as carpet, tile, cabinetmakers, and other subcontractors. He indicated that when subcontractors are licensed, they can exempt themselves from workers' compensation insurance. He further explained that the insurance industry requires contractors to obtain certificates of insurance from all subcontractors. He said, "That's the problem." He highlighted that some subcontractors do not have the certificates and bill the contractor who must pay based on the amount of the invoice. He offered that he has not specifically reviewed the "Tennessee Language" incorporated in

the proposed committee substitute, but believes it will take the "gray area out of this issue and resolve it once and for all."

3:28:01 PM

BRONSON FRYE, Business Representative, Painters & Allied Trades Local 1959 (IUPAT Local 1959), speaking on behalf IUPAT Local 1959, offered support for HB 22, which requires workers' compensation insurance for sole proprietors or owner/operators. He explained that his organization represents worker in trades such as painting, drywall taping, and floor covering. He related that he supports the bill since it has become standard operating procedure for contractors in painting, drywall finishing, and floor covering industry to bid large-scale commercial construction projects and re-subcontract the project to entire crews comprised of owner/operators. He emphasized that sole proprietors can waive the right to workers' compensation. However, when the entire workforce is made up of owner/operators without workers' compensation, the contractor has a huge bidding advantage. He opined that the practice is "killing the industry" by making it almost impossible for legitimate contractors to compete. He offered his belief that HB 22 would provides assurance that laborers will be properly insured. Additionally, contractors bidding work will compete in a fair and open playing field. Furthermore, he stressed that the practice of subcontracting to multiple tiers of "so called contractors" in an effort to avoid workers' compensation insurance and taxes has become commonplace in construction. He recalled a Craigslist advertisement on February 12, 2009, that advertised for independent contractors for commercial work in Juneau. He said, "Under the requirements, it says experience not necessary, onsite training is provided. And then, under compensation it says, hourly range \$9-11 per hour. Right underneath that it says, 'This is a contract job'." He pointed out that he has worked in the construction field "his whole life." He opined that he has never encountered a legitimate subcontractor working under a legitimate subcontract with zero experience earning \$9 per hour. He said, "I think anyone would agree that someone working in commercial construction with no experience working for \$9 per hour is far more likely to be an employee of some sort and by no means a true independent contractor." He offered that he mentioned the Craigslist advertisement to demonstrate how brazen some contractors have become in their misclassification of employees in an effort to avoid workers' compensation insurance as well as any taxes a contractor would normally match for their employees. He

reiterated his support for HB 22 and applauded Representative Crawford for introducing the bill.

3:31:05 PM

CHRIS GREGG, Painters and Allied Trades Local 1959 (IUPAT Local 1959), speaking on behalf of IUPAT Local 1959, offered support for HB 22. He stated he is affiliated with IUPAT, which represents worker in trades such as painting, drywall taping, and floor covering in the construction arena. He explained that in recent years the market has been "ravaged" by contractors who bid major jobs and then lease out the work to large crews of independent contractors. He further explained that the independent contractors are not required to pay workers' compensation insurance or federal insurance. He emphasized that this gives the contractor the ability to bid work without considering the cost of workers' compensation insurance. Thus, the contractor has a "considerable edge" against any contractor who pays for insurance for his/her employees as required by state law. He offered his belief that workers' compensation insurance is calculated at nearly 30 percent of the payroll costs, this could mean that an unscrupulous contractor can shave thousands of dollars, or hundreds of thousands of dollars from bid proposals by misclassifying his/her workers. He said, "The misclassification of employees has become standard operating procedure in the taping, painting, and floor covering markets in Alaska. And it must come to an end if the law-abiding, honest contractors are going to have any chance at being competitive." He applauded Representative Crawford's efforts on this bill. He stated that the IUPAT fully supports HB 22.

3:33:02 PM

DARRYL KLOEPFER, Vice-President, Pacific Partition Systems, stated that his business has been in Alaska since 1976. His business predominantly contracts for metal stud priming gypsum wallboard, drywall taping, and painting subcontractors. He stated that he has been out of the taping and painting for approximately 10 years as a result subcontractors not being classified as employees. He opined that his business was at a disadvantage amounting to an approximately 30 percent disadvantage in bid awards. He thanked the prime sponsor of HB 22. He related that he fully supports HB 22. He pointed out that he is currently involved in estimating significant amounts of state and municipal government projects. He indicated that he is currently being asked by general contractors who support the "independent subcontractor trade force" to separate out the

bid estimate for metal studs and drywall due to an influx of subcontractors who install gypsum wall board. He explained that he must separate out the costs when bidding. He opined that he is in jeopardy when bidding commercial projects, which is a very frustrating situation. He thanked the legislature for reviewing the definition of employee versus independent subcontractor. He stated he reviewed some of the Internal Revenue Service (IRS) tax laws. He said, "None of these independent contractors that we're forced to compete against have a category defined by the IRS as a profit and loss exposure. There is no loss exposure to these individuals. They're being paid, basically on an hourly basis." He concluded by reiterating his support for HB 22.

MICHAEL GALIOTO agreed with his colleagues.

[3:36:18 PM](#)

KEITH MONTGOMERY, Carpenters Local 1281, on behalf of the Carpenters Local 1281, stated that his union is affiliated with the United Brotherhood of Carpenters. He related that his union represents carpenters, drywall finishers, metal set framers, and various trades that fall within the scope of carpentry. He said, "Quite frankly, it's a misclassification of workers." He related his experience that tiers of subcontractors are independent contractors who buy the material, direct the work, and pay workers, sometimes "cash under the table." He said, "Basically, it's gaming the system." He opined that when a worker gets injured on the job and receives hospital care and is not covered, the costs are often absorbed by the hospital. He related that not providing workers' compensation insurance is unfair to legitimate businesses. Further, some workers sign up as independent contractors and are not paid. He offered that HB 22 is a means to "level the playing field."

[3:38:12 PM](#)

CHAIR OLSON announced that HB 22 will be held over for further consideration. He anticipated that a committee substitute would be forthcoming.

[3:38:37 PM](#)

The committee took an at-ease from 3:38 p.m. to 3:39 p.m.

HCR 1-RESIDENTIAL FIRE SPRINKLER SYSTEMS

[3:39:34 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE CONCURRENT RESOLUTION NO. 1, Encouraging the installation of fire sprinkler systems in residences.

[3:39:40 PM](#)

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, stated he has a proposed committee substitute for HCR 1 for the committee to consider.

[3:40:13 PM](#)

REPRESENTATIVE COGHILL moved to adopt the proposed committee substitute (CS) for HCR 1, Version 26-LS0228\R, Bailey, 3/19/09 as the work draft.

CHAIR OLSON objected for purposes of discussion.

[3:40:34 PM](#)

REPRESENTATIVE SEATON explained that concern was expressed that this resolution might be confused with other legislation that contains mandatory provisions. Thus, the title and several places in the resolution specifically address that the program is voluntary.

[3:41:16 PM](#)

CHAIR OLSON removed his objection.

There being no further objection, Version R was before the committee.

[3:41:37 PM](#)

REPRESENTATIVE SEATON related that he participated in a fire demonstration in Homer. The trailer was blocked by PLEXIGLAS. He explained that the trailer was equipped with a residential fire sprinkler system. He indicated that residential fire sprinklers are activated at a much lower temperature and release a lower volume of water than commercial sprinkler systems. Thus, instead of flowing at a rate of 50-100 gallons a minute, the residential sprinkler emits a mist at a rate of 15 gallons per minute. He pointed out that the commercial system is designed to save buildings and property, but the residential system is designed to put out the fire to save lives. He

explained that he has worked with the state fire marshal to develop the program in hopes that homeowners could obtain insurance savings on their homes. He referred to members' packets to a sheet titled Residential Structure Fires, to statistics. He offered that the leading causes of fire include 35 percent from cooking, and 39 percent from heating. He highlighted that in reducing those two items, nearly 75 percent of all fires would be reduced. This, the HCR 1 encourages installing residential fire sprinklers.

REPRESENTATIVE SEATON stated he checked prices at a local business, Harri's Plumbing and Heating, and a sprinkler that would cover a 10-foot to 12-foot circular area retails for \$8.20. He indicated that would cover a 155 degree angle, which threads to a pipe in the ceiling or the wall. He surmised that the system could run off the existing water system and a plumber or homeowner could install the system for increased safety. He emphasized that HCR 1 encourages full development of the program on a voluntary basis to save lives. He remarked that the biggest loss of life is due to unattended cooking fires and people die from these fires. He stressed that a residential sprinkler head could cover the stove and could prevent loss of life. He recalled several instances in which people lost their lives due to a fire such as the one in Ketchikan in which four state workers died. He recapped the purpose of the resolution is to reduce loss of life. He mentioned that the resolution also instructs the Division of Insurance, Department of Commerce, Community, & Economic Development to work with the insurance industry to develop an incentive program that would provide homeowners who have installed sprinkler systems to obtain credit on homeowners insurance or fire insurance.

[3:46:24 PM](#)

REPRESENTATIVE SEATON showed a video clip that demonstrates the sprinkler head and a humorous fire department advertisement that encourages homeowners to install sprinkler systems in their homes.

[3:48:56 PM](#)

REPRESENTATIVE SEATON emphasized that those involved in the fire industry are working to educate people that residential sprinkler systems save lives. In Alaska, discounts on insurance are not given unless the entire house is covered by a sprinkler system. He opined that is necessary for smokers, but non-smokers could install sprinklers in kitchens and in furnace

rooms or have plumbers install them. He indicated that the Department of Labor & Workforce Development works with plumbers to verify the sprinkler heads have been installed. He highlighted the goal is to protect property and life. He acknowledged that this bill does not target new construction, since Alaska Housing Finance Corporation (AHFC) or others may impose a requirement for a sprinkler system throughout the home, so installing individual sprinklers would not suffice in those instances. He referred to the packet to the executive summary of the National Institute of Standards and Technology's "Benefit-Cost Analysis of Residential Fire Sprinkler Systems." He read [original punctuation provided]:

Over the 2002 to 2005 study period, houses equipped with smoke alarms and a fire sprinkler system experienced 100 % fewer civilian fatalities, 57% fewer civilian injuries, and 32 % less direct property losses and indirect costs resulting from fire than houses equipped only with smoke alarms.

REPRESENTATIVE SEATON related that statement relates the benefits of having a smoke alarm and a sprinkler system. He acknowledged the importance of smoke alarms to alert people about the fire, but the sprinklers "knock down" the fire and ensure people have time to exit the home. He read [original punctuation provided]:

In addition, homeowners of dwellings with fire sprinkler systems received an added bonus of an 8% reduction in their homeowner insurance premium per year, according to ISO. This report finds the monetized value of a residential fire sprinkler system, over a 30-year analysis period, to yield homeowners \$4994 in present value benefits.

REPRESENTATIVE SEATON recapped the benefits of the system, stressing that the systems are not mandated, but are voluntary and the resolution is meant to encourage Alaskans to install home sprinklers in two sources: the kitchen and furnace room. He mentioned from his own experience that freezing and thawing has not been a problem. He also mentioned he installed sprinkler heads in his 70-foot tender, and the sprinklers have been subject to freezing and thawing for 15 years without problems. He highlighted that plastic tubing is a very stable, very safe method. He mentioned that he has had copper tubing split. He reiterated that HCR 1's whole purpose is to save lives by encouraging insurance companies to offer reductions for

those who use the fire marshal's model program for residential fire sprinkler system coverage. The fire marshal program uses platinum, gold, and silver stars to recognize various levels of sprinkler coverage. He acknowledged that currently insurance companies are not offering reduced insurance rates. He stated letters of support are in members' packets.

[3:55:16 PM](#)

REPRESENTATIVE COGHILL referred to the handout in members' packets titled "Residential Structure Fires" and inquired as to whether a breakout of fire causes is available for the 2007 residential fires caused by heating, noting that accounted for 39 percent of residential fires. He expressed interest in knowing the breakout of types of heating systems such as wood burning stoves or furnaces.

REPRESENTATIVE SEATON offered to provide the information.

[3:56:32 PM](#)

REPRESENTATIVE COGHILL asked whether the fire marshal's program is based on an existing program other states are using or if this is a new template.

REPRESENTATIVE SEATON answered that the fire marshal's residential safety star model was developed by the fire marshal and specifies silver, bronze, and gold star levels for single family residences. He explained the concept is being developed with the insurance industry.

[3:58:26 PM](#)

REPRESENTATIVE HOLMES inquired as to how sensitive sprinklers are and whether accidental discharges could cause water damage.

REPRESENTATIVE SEATON agreed that had been an initial problem but that the issues have been resolved.

CHAIR OLSON noted that the next person to testify, Jeff Tucker, has been his fire chief for a number of years.

[3:59:26 PM](#)

JEFF TUCKER, Alaska Fire Chiefs Association (AFCA), on behalf of the AFCA, offered support for HCR 1. He stated that HCR 1 encourages home fire sprinkler systems and seeks to provide

incentives for individuals to install home fire sprinkler systems in their homes. He offered his belief that the AFCA understands the benefits of this program and the value of providing incentives. He opined that coordinating the effort with the state fire marshal's office and insurance companies is a good way of accomplishing the program's goal. He reiterated the AFCA's support for HCR 1.

[4:01:08 PM](#)

REPRESENTATIVE COGHILL inquired as to whether the AFCA would perform inspections and the cost of inspections if the fire marshal's model program is adopted.

MR. TUCKER explained that his fire department currently performs home safety inspections for smoke detectors. He further explained that the current regulation under National Fire Protection Association (NFPA) code, 13 D [Standard for the Installation of Sprinkler Systems in One and Two Family Dwellings and Manufactured Homes] can be performed by plumbers who are trained to install them. He opined the systems are fairly simple systems compared to commercial systems. He further opined that most fire departments have personnel trained to perform some type of code enforcement. He stated the cost would depend on the fire department that performed the inspections. He offered that his fire department currently performs inspections at no charge to homeowners.

[4:02:14 PM](#)

JEFF FEID, Loss Mitigation Administrator, State Farm Insurance, stressed the value of residential sprinklers. The Home Fire Sprinkler Coalition is the organization leading the country in educating consumers, builders, and fire service on the value of residential sprinklers. He opined that State Farm is the largest insurer of homes in Alaska and in the U.S. He offered support for the purpose of the resolution, which is to encourage installation of fire sprinklers in residences. He said, "The concept's terrific." He indicated that State Farm Insurance offers discounts for homes that are installed in accordance with national recognized standards that are proven to work.

MR. FEID explained that the National Fire Protection Association (NFPA) codes that are recognized include NFPA 13 [the Standard for the Installation of Sprinkler Systems]; NFPA 13 D, [the Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes]; and 13 R, [the

Standard for the Installation of Sprinkler Systems in Residential Occupancies up to and Including Four Stories in Height]. He highlighted that State Farm Insurance provides discounts to homeowners who meet those nationally recognized standards. He stated that State Farm Insurance is not able to issue discounts for systems that do not meet the nationally recognized standards. He said, "In fact, if we were to realize an increase in fire losses in structures that have hybrid systems or systems that didn't comply, but had some sort of sprinkler in there, there might be pressure to raise rates to adjust to that type of loss."

MR. FEID expressed concern that the proposal sets different levels of sprinkler protection and designs that are not consistent with or equivalent to the national standards. He suggested that if different levels are desired that the lowest level of silver or bronze be a complete fire system in accordance with NFPA 13 D for the one and two family dwellings. Secondly, he suggested false data may be produced in the event of a fatality, major injury, or structure loss from systems designed below the national standard. He opined those instances would indicate that fire sprinklers are not as effective as believed, which could set back any advocacy for residential sprinklers. He said, "Lastly, the concept of partial sprinkler or hybrid sprinklers, just in the kitchen, just over the furnace; that concept was flatly rejected when considered by Standards Committee on Fire Sprinklers." He thanked the committee and stated that he looks forward to working with the fire marshal and the sponsor of the resolution to fine-tune this proposal to encourage people to use residential sprinklers.

[4:05:21 PM](#)

REPRESENTATIVE HOLMES inquired as to whether problems are encountered with fire sprinklers accidentally discharging and causing water damage.

MR. FEID answered that the failure rate of fire sprinklers is 1 to 60 million sprinkler heads in use in the U.S. today. He stated that the concern of failure rates is not an issue for State Farm Insurance.

[4:06:05 PM](#)

REPRESENTATIVE COGHILL related his own childhood experiences and asked if the fire sprinklers are safe around children.

MR. FEID answered that it has not been a problem. He related his company has encountered many issues with plumbing systems.

REPRESENTATIVE COGHILL asked whether Mr. Feid would consider the fire marshal residential safety star program or if State Farm Insurance would only consider the NFPA standards.

MR. FEID answered that State Farm Insurance would recognize the NFPA standards previously mentioned, such as 13, 13 D, and 13 R, since other standards have not been tested. He expressed concern that if the homeowner installs one sprinkler in a room without design consideration for water pressures needed and the gallons per minute of water to operate the sprinkler, that the fire sprinkler may not even operate.

[4:07:48 PM](#)

REPRESENTATIVE COGHILL inquired as to how his company certifies that the fire sprinklers were installed using the NFPA standards.

MR. FEID answered that State Farm Insurance receives an application and verifies that the home sprinkler system was installed using the NFPA standards mentioned, and applies the discount appropriately.

[4:08:18 PM](#)

PAUL MICHELSON, Alaska State Home Builders Association (ASHBA), speaking on behalf of the ASHBA, stated that he has worked on sprinkler issues for ten years, including serving on the International Code Council (ICC) boards for fire and life safety, building and energy, and mechanical and plumbing, and the board of the National Association of Home Builders (NAHB). He thanked the sponsor of the resolution for including "voluntarily" in the resolution. He identified three places the word occurred and since he was participating by teleconference, asked for verification. He referred to the word "voluntary" in the following instances: page 1, lines 1 and 9; and on page 2, lines 12 and 19.

REPRESENTATIVE SEATON agreed that the word "voluntary" appears in those locations in Version E.

MR. MICHELSON offered the ASHBA's support for HCR 1, as written. He offered his belief that State Farm Insurance did an excellent good job. He advised members that a process is

currently underway to mandate sprinkler systems in all one and two family dwellings through the inclusion of a chapter in the International Residential Code (IRC) IRC 2009 edition. He explained that matter was voted on in Minneapolis, Minnesota in September 2008. He emphasized that "voluntary" has always been in effect in Alaska and in many states nationwide. He stressed that it is of the utmost importance to keep the process voluntary. He said, "No one wants to be forced to place sprinkler systems in their home." He offered that he has a familiarity with some video clips. He mentioned that the video shows an arson started fire, with one sprinkler head located directly over the fire's source, and the sprinkler system put out the fire. However, he noted that the low-volume sprinkler systems, when placed on a ceiling will spray 6 to 8 feet, but will not cover a 14-foot room. Thus, it would only directly affect a fire started immediately under it. Additionally, he offered his belief that the low-cost system would not be adequate. He questioned the cost of \$8, that many industry studies show the cost ranges fro \$3 to \$8 per square foot.

MR. MICHELSON related the added cost affects the available buyers for a home. He indicated that for every \$1 to \$2 thousand increase in value that the seller loses 2 to 4 percent of the available buyers. Thus, he offered support as long as installation of fire sprinklers remains voluntary. He feared that fire sprinklers may soon be mandated. He recalled that the State Farm Insurance only recognizes the NFPA 13, 13 D or 13 R systems, which is typical in the industry. He stated that when a fire marshal demands the NFPA standards mentioned, that it includes more than sprinkler heads, such as spotlighting, audible sounds, and the actual placement of the sprinkler heads. He recalled costs to install a system for a State Farm agent that cost \$33,000 system. He acknowledged that the system was strictly voluntary, but pointed out that it was not a low-cost system.

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MR. MICHELSON recalled prior testimony and confirmed that the tubing does freeze and does break. He agreed that the tubing is more tolerant to cold than copper, but it can break and freeze. He recalled someone inquired as to whether the fire sprinklers will withstand children's tampering. He pointed out that the fire sprinklers have not been tested in residential homes as to how much abuse the systems will endure. He opined that in the past 20 years that fire deaths in new homes has been reduced by 74 percent. He further opined that a fire department's

residential home response represents less than two percent of their emergency calls. He offered his belief that HCR 1 will not address these concerns, but he does believe that it is a great proposal. He offered total support for HCR 1, so long as the state, the legislature, and the fire marshal understand that it is voluntary.

[4:15:57 PM](#)

REPRESENTATIVE COGHILL inquired as to whether Mr. Michelsohn could provide reasons for the significant reductions in new homes fire safety rates.

MR. MICHELSON offered his belief that the implementation of many safety standards such as the ground fault circuit interrupter (GFI) system, and arc fault interrupter systems that immediately shut off breakers due to arcing faults that may not cause a conventional circuit breaker to trip. Additionally, other safety standards include better drywall techniques, implementation of fire drafting, better insulation blocking, installation of better flue piping, and more efficient heat sources, and better cooking appliances. He opined that most of the deaths occur in older homes and mobile homes. He further opined it would be almost impossible to install fire sprinkler systems that would not freeze in mobile homes.

MR. MICHELSON, in response to Representative Coghill, opined that the heat source in kitchens is of concern since they usually involve grease. He indicated that putting water on grease will spread the fire, and the fire creates an overabundance of smoke. He related that the majority of fires start on the outside from cooking utensils such as outdoor grills, or from ashes placed outside the door. He further opined that fire sprinkler systems will not affect these fires.

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REPRESENTATIVE COGHILL inquired as to whether supplies in homes have enough water supply capacity to allow fire sprinklers to be plumbed in or if the fire sprinkler would require retrofitting a main feeder line.

MR. MICHELSON recalled that the State Farm Building serviced four bathrooms, which required an 8-inch water main from the curb, which cost over \$11,000. He opined that most city water supplies are adequate. However, over 33 percent of residences in Alaska are on private systems. Those systems might need

storage systems and pumps to supply primary water. He recalled the statistic of faulty sprinklers and mentioned that the Sheraton Hotel had a freeze up several months causing over \$100,000 in damages. He related several other incidents of issues with fire sprinkler systems.

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REPRESENTATIVE COGHILL related that his own home is on a well. He opined that it might be necessary to create separate standards for those not on water mains in order to rate them for the fire marshal's program.

MR. MICHELSON offered his belief that another problem with storage system is the systems must be inspected annually. He opined that insurance policies contain exclusions that can result in non-payment of claims for home owners who do adhere to annual inspections. In further response to Representative Coghill, Mr. Michelsohn opined that fire sprinklers can also create a false sense of security. He answered that if a home owner sublets his/her home and a fire occurs the plaintiff will go after the deepest pocket.

4:23:34 PM

KELLY NICOLELLO, Assistant Fire Marshal, Division of Fire and Life Safety, Central Office, Department of Public Safety (DPS), read a letter from the State Fire Marshal, Dave Tyler, as follows:

Thank you for sponsoring HCR 1, residential fire sprinkler incentive program. I support this resolution and daily we encounter the ravages of fire as we are notified of fire events occurring throughout the State of Alaska. The single family residence is an area where we have little regulatory authority. Our data indicates that this is where most of our structure fires and almost all of Alaska's fire deaths occur.

The intention of this program is to help reward those who take this proactive step. Installing residential sprinklers not only makes for a safer living environment, it reduces fire suppression costs and the hazard to fire fighters. It also reduces the risk to insurance companies. This incentive program is a good idea in that direction. Individual responsibility is

imperative to home fire safety. No one can take better care of you or your family than you. When those efforts fail, nothing will protect you better than an operational residential sprinkler system. Even in our urban areas we lose far too many lives in homes from fire.

The most effective way to save your home from fire is to prevent it in the first place. When we fail to prevent the fire a residential fire sprinkler system is the next best thing. The sprinkler system will usually extinguish the fire before the fire department gets to the scene. At the very least it will contain the fire until help arrives. I firmly believe it is appropriate to recognize those who do take this proactive approach to home fire safety and recommend this incentive program to encourage the installation of residential fire sprinkler systems.

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MR. NICOLELLO, in response to Chair Olson, mentioned that the letter should be in members' packets.

4:26:01 PM

REPRESENTATIVE COGHILL inquired as to his opinion on whether the fire marshal's office would permit qualified installers.

MR. NICOLELLO said that he would envision that a plumber who had the appropriate training from the Department of Labor & Workforce Development or held an ICC certificate could ascertain if the home met the requirements. He opined that the fire marshal would issue the certificate. In further response to Representative Coghill, Mr. Nicoletto explained that the department would not promulgate regulations for a voluntary program.

REPRESENTATIVE COGHILL recapped that the fire marshal would use a formal model that would allow authorized and permitted installers an authority to determine the safety star program level such as platinum, gold, silver, or bronze program. He related his understanding that the program would be voluntary, but authorized installers would install the fire sprinklers. He inquired as to whether the legislature would handle this or if the fire marshal would formalize the requirements.

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MR. NICOLELLO pointed out that the proposal is in the form of a resolution, and not a bill. He stated that until the program is formalized that the department cannot adopt regulations but would recognize the recommended practice.

REPRESENTATIVE COGHILL related a scenario in which most people were on a well system, but some people had sprinkler systems installed. He related his understanding that insurance would be based on fire engine coverage. He inquired as to whether the fire sprinkler systems would affect the insurance area or just the individual.

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MR. NICOLELLO answered that this would not have any effect the on the ISO rating. The Fire Suppression Rating Schedule (FSRS) is the manual ISO uses in reviewing the fire-fighting capabilities of individual communities. The schedule measures the major elements of a community's fire-suppression system for the area. He elaborated that the rating is a public capability rating through the insurance service organization such as class 1, 2, or 3 rating. He related his understanding that the number or "sprinklered" commercial or residential buildings would not affect the insurance. In further response to Representative Coghill, Mr. Nicolello answered that the fire marshal would be willing to assist an area in developing a workable plan.

[4:31:04 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HCR 1.

REPRESENTATIVE COGHILL inquired as to whether any other insurance companies have responded.

REPRESENTATIVE SEATON stated that he has not had any formal contact with insurance companies. He opined that this is a process that requires an interim process to see what the program is before the companies can comment. He related that HCR 1 encourages the Division of Insurance to hold the conversations with the insurance companies or the fire marshal. He acknowledged that ultimately the insurance companies might opt for the complete home systems. However, the goal is to have individual fire sprinklers set off, which uses much smaller water supply, which are generally activated by a small fire. He

explained that the residential fire sprinkler will be active at a much lower temperature, when a fire initially happens. He offered his belief that he does not know how the insurance companies will react, but the director of the Division of Insurance is willing to initiate the conversation. He further opined that partial coverage residential fire sprinklers probably would not help in homes with smokers.

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REPRESENTATIVE COGHILL referred to the handout titled "Concept paper provided to Rep. Paul Seaton on 1/11/06 by DPS". He referred to the fixed levels of fire protection for single family dwellings recognized for the Residential Safety Star Program installers permitted by the SMFO under 13 AAC 50.035. He asked the sponsor of HCR 1 to elaborate on the concept.

REPRESENTATIVE SEATON answered that many areas are not subject to building codes. He explained that installers would need to be certified to install the fire sprinklers. He related that certified installers can design full coverage home systems. This resolution would encourage existing homeowners to install fire sprinklers to save lives.

4:37:23 PM

REPRESENTATIVE COGHILL stated his appreciation that the program would be voluntary. He inquired as to whether the sponsor has had any discussions with DLWD to offer training programs to certify installers.

GREY MITCHELL, Director, Central Office, Division of Labor Standards & Safety, Department of Labor & Workforce Development (DLWD), offered his belief that any licensed journeyman plumber could install fire sprinklers. He said he was not aware of any developments for workforce plans in this area or for the certification the insurance companies might require.

REPRESENTATIVE COGHILL opined that the certified sprinkler system installers are a subset of the plumbers and pipefitters. He said, "I can see us getting into a little bit of a "brouhaha" especially if you are going to be tasked with putting together some kind of a plumber's certification for residential sprinkler systems." He asked if that has been considered.

MR. MITCHELL opined that it is possible that would develop, but since the program is voluntary he doubted that the DLWD would

have a mandate to create a specialized license for sprinkler installations.

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REPRESENTATIVE SEATON commented that he recalled similar conversations about the differences between using the language verify or certify. He recalled that legislative drafting informed them from their standpoint, there was not any difference.

REPRESENTATIVE COGHILL moved to report the proposed committee substitute (CS) for HCR 1, Version 26-LS0228\R, Bailey, 3/19/09, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHCR 1(L&C) was reported from the House Labor and Commerce Standing Committee.

[4:42:17 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:42 p.m.