

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 27, 2012

4:04 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Thomas Wagoner
Senator Linda Menard
Senator Johnny Ellis

MEMBERS ABSENT

Senator Albert Kookesh

OTHER LEGISLATORS PRESENT

Representative Cathy Munoz

COMMITTEE CALENDAR

SENATE BILL NO. 223

"An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 131(TRA) AM

"An Act establishing the Alaska Community and Public Transportation Advisory Board and relating to a long-range community and public transportation plan; and providing for an effective date."

- MOVED CSHB 131(TRA) AM OUT OF COMMITTEE

SENATE BILL NO. 157

"An Act allowing an insurer to cancel an insurance policy if property becomes unoccupied and the vacancy increases the hazard insured against."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 223

SHORT TITLE: TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/02/12 (S) READ THE FIRST TIME - REFERRALS
03/02/12 (S) CRA, FIN
03/15/12 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/15/12 (S) Heard & Held
03/15/12 (S) MINUTE(CRA)
03/27/12 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: HB 131

SHORT TITLE: COMMUNITY AND TRANSPORTATION ADV. BOARD

SPONSOR(S): MUNOZ

01/28/11 (H) READ THE FIRST TIME - REFERRALS
01/28/11 (H) TRA, FIN
03/15/11 (H) TRA AT 1:00 PM CAPITOL 17
03/15/11 (H) Heard & Held
03/15/11 (H) MINUTE(TRA)
03/22/11 (H) TRA AT 1:00 PM CAPITOL 17
03/22/11 (H) Moved CSHB 131(TRA) Out of Committee
03/22/11 (H) MINUTE(TRA)
03/23/11 (H) TRA RPT CS(TRA) 4DP 3NR
03/23/11 (H) DP: MUNOZ, PETERSEN, GRUENBERG,
P.WILSON
03/23/11 (H) NR: JOHNSON, FEIGE, PRUITT
04/14/11 (H) FIN RPT CS(TRA) 10DP
04/14/11 (H) DP: GUTTENBERG, T.WILSON, GARA, JOULE,
NEUMAN, COSTELLO, EDGMON, DOOGAN,
04/14/11 (H) STOLTZE, THOMAS
04/14/11 (H) FIN AT 8:30 AM HOUSE FINANCE 519
04/14/11 (H) Moved CSHB 131(TRA) Out of Committee
04/14/11 (H) MINUTE(FIN)
04/14/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/14/11 (H) <Bill Hearing Canceled>
01/27/12 (H) TRANSMITTED TO (S)
01/27/12 (H) VERSION: CSHB 131(TRA) AM
01/30/12 (S) READ THE FIRST TIME - REFERRALS
01/30/12 (S) TRA, CRA
02/09/12 (S) TRA AT 1:00 PM BUTROVICH 205
02/09/12 (S) Moved CSHB 131(TRA) am Out of
Committee
02/09/12 (S) MINUTE(TRA)
02/10/12 (S) TRA RPT 4DP
02/10/12 (S) DP: KOOKESH, THOMAS, MENARD, HUGGINS
02/22/12 (S) FIN REFERRAL ADDED AFTER CRA

03/22/12 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/22/12 (S) Heard & Held
03/22/12 (S) MINUTE(CRA)
03/27/12 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: SB 157

SHORT TITLE: CANCEL INSUR. ON CERTAIN VACANT PROPERTY
SPONSOR(s): LABOR & COMMERCE

01/17/12 (S) READ THE FIRST TIME - REFERRALS
01/17/12 (S) L&C, CRA
01/26/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
01/26/12 (S) Heard & Held
01/26/12 (S) MINUTE(L&C)
02/23/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/23/12 (S) <Bill Hearing Postponed>
02/28/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/28/12 (S) Moved CSSB 157(L&C) Out of Committee
02/28/12 (S) MINUTE(L&C)
02/29/12 (S) L&C RPT CS 5DP NEW TITLE
02/29/12 (S) DP: EGAN, GIESSEL, DAVIS, PASKVAN,
MENARD
03/05/12 (S) CORRECTED L&C CS RECEIVED NEW TITLE
03/05/12 (S) BILL REPRINTED 3/5/12
03/06/12 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/06/12 (S) -- MEETING CANCELED --
03/13/12 (S) CRA AT 4:00 PM BELTZ 105 (TSBldg)
03/13/12 (S) Heard & Held
03/13/12 (S) MINUTE(CRA)
03/27/12 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

DAVID SCOTT, Staff
Senate Community and Regional Affairs Standing Committee
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Explained the committee substitute for SB
223.

REPRESENTATIVE CATHY MUNOZ
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 131.

DANA OWEN, Staff
Senate Labor and Commerce Standing Committee

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 157 on behalf of the L&C Committee.

GLENDA FEEKEN, Trustee
Realtors Political Action Committee
Alaska Association of Realtors
Kenai, Alaska

POSITION STATEMENT: Did not support SB 157.

LINDA HALL, Director
Division of Insurance
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions and stated that DCCED was neutral on SB 157.

ERROL CHAMPION, President
Southeast Board of Realtors
Alaska Association of Realtors
Juneau, Alaska

POSITION STATEMENT: Did not support SB 157.

DAVID SOMERS, Chair
Industry Issues
Alaska Association of Realtors
Fairbanks, Alaska

POSITION STATEMENT: Did not support SB 157.

SHELDON WINTERS, Lobbyist
State Farm
Lessmeier and Winters LLC
Juneau, Alaska

POSITION STATEMENT: Supported SB 157.

ACTION NARRATIVE

[4:04:58 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 4:04 p.m. Present at the call to order were Senators Wagoner, Menard, Ellis and Chair Olson

SB 223-TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX

[4:05:08 PM](#)

CHAIR OLSON announced the consideration of SB 223, "An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification." He stated his intention to introduce a committee substitute (CS) and set the bill aside for further review.

DAVID SCOTT, Aide, Senate Community and Regional Affairs Standing Committee Alaska State Legislature, identified the CS for SB 223 as version D. It made the following changes to the original bill:

- 1) Language on page 2, line [22], adds a five-year sunset.
- 2) Page 1, line 9, states that eligible organizations must be established before 1/1/2012. The intent of the bill is to support existing nonprofits providing these services, not to encourage the establishment of new nonprofits.
- 3) Page 2, line 1, subsection (b) the tax credit changes from a dollar-for-dollar match to 50 percent of the cash contribution.
- 4) Procedural language was added on page 2, line 3, subsection (c) so the department could provide the taxpayer a preliminary determination as to whether the contribution qualifies for the tax credit.

MR. SCOTT noted that he distributed sections of the FY10 and FY11 revenue source book regarding tax credits offered by the state.

[4:07:39 PM](#)

CHAIR OLSON asked why the dollar-for-dollar tax credit was changed to 50 percent of the contribution.

MR. SCOTT answered that it conformed to other tax credit programs offered by the state.

CHAIR OLSON asked if interest by the private sector would be the same with the reduced credit.

MR. SCOTT said he did not have that impression, but only time would tell if the bill were to become law.

[4:08:34 PM](#)

CHAIR OLSON found no further questions and held SB 223 in committee.

HB 131-COMMUNITY AND TRANSPORTATION ADV. BOARD

4:08:50 PM

CHAIR OLSON announced the consideration of HB 131, "An Act establishing the Alaska Community and Public Transportation Advisory Board and relating to a long-range community and public transportation plan; and providing for an effective date." He noted this was the second hearing in this committee.

4:09:04 PM

REPRESENTATIVE CATHY MUNOZ, sponsor of HB 131, Alaska State Legislature, paraphrased the following sponsor statement:

House Bill 131 creates an Alaska Community and Public Transportation Advisory Board, which will assist in the development and procedural recommendations for existing programs of state, federal, and local agencies that provide community-based transportation services. Public and community transportation is integral in connecting communities, supporting development and serving our most vulnerable constituent.

The designation of this board is a recommendation from the Governor's Coordinated Transportation Task Force, which was released in the February 2010 Recommendations Report. The board will continue efforts to address public and community transportation and help fill the gap in transportation for individuals who require more specialized travel - senior citizens, low-income individuals, persons with disabilities, and those who are transit-dependent.

The board will consist of 13 members from departments within state and local governments, Denali Commission, Alaska Mental Health Trust Authority, nonprofits, and those with expertise in transportation needs for senior citizens, persons with disabilities, and transit-dependent individuals. This broad range of membership will facilitate communication and strategies that will benefit communities of all sizes.

HB 131 has support from the Alaska Mobility Coalition, the Governor's Council on Disabilities and Special Education, Advisory Board on Alcoholism and Drug Abuse, the Alaska Commission on Aging, Alaska Mental

Health Trust Authority, Alaska Brain Injury Network,
and the Alaska Suicide Prevention Council.

[4:10:34 PM](#)

SENATOR MENARD asked the sponsor to speak to the letter of intent.

REPRESENTATIVE MUNOZ responded that during the previous hearing Senator Wagoner expressed concern about committing very busy commissioners to serve on yet another board. He wanted to insert language to ensure that a commissioner designee would fill the position. She said the language was already in the bill and the intent language was ready to insert, but she understood that Senator Wagoner did not want to include it at this time.

SENATOR WAGONER indicated the intent letter was not necessary.

CHAIR OLSON found no public testimony and no further committee discussion. He asked the will of the committee.

[4:12:15 PM](#)

SENATOR WAGONER moved to report CSHB 131(TRA) am from committee with individual recommendations and attached fiscal note(s).

CHAIR OLSON announced that without objection, CSHB 131(TRA) am moved from the Senate Community and Regional Affairs Standing Committee.

[4:12:44 PM](#)

At ease 4:12 to 4:14.

SB 157-CANCEL INSUR. ON CERTAIN VACANT PROPERTY

[4:14:23 PM](#)

CHAIR OLSON announced the consideration of SB 157, "An Act allowing an insurer to cancel an insurance policy if property becomes unoccupied and the vacancy increases the hazard insured against." He noted the bill was heard previously.

[4:14:48 PM](#)

DANA OWEN, Staff to Senator Dennis Egan and the Senate Labor and Commerce Committee, Alaska State Legislature, reminded the committee that the current version of SB 157 represented a compromise. The original proposal was to provide insurance companies the ability to cancel insurance policies on homes that were unoccupied or vacant. The Senate Labor and Commerce Standing Committee members were opposed to the idea of policies

being canceled on unoccupied dwellings because Alaskans commonly leave their homes for long periods. The current version kept the provision of "vacancy" and defined the term.

SENATOR MENARD said she struggled with the bill because it addressed real estate problems in the Lower 48 and Alaska had not had problems of that magnitude. She said she continued to be uncomfortable and realtors were, too.

MR. OWENS responded that Senator Egan's office was discussing with realtors possible amendments to the bill.

[4:17:35 PM](#)

GLENDA FEEKEN, Realtor, Alaska Association of Realtors, said the association understood and supported business, but not SB 157. In its current form, it was not in the best interest of the public. On the Kenai Peninsula she had seen policies canceled because the home was vacant, but not abandoned or in foreclosure. This was an emotional and financial hardship for the public, she said.

SENATOR MENARD asked if it was a matter of the house being vacant because the previous owners were waiting for the sale to close.

MS. FEEKEN answered that people sometimes have to move before their house sells. These homeowners did not abandon the property, but insurance companies have sometimes interpreted the situation differently and cancelled the policy. The homeowner doesn't necessarily have the resources to fight it and the bank imposes its more expensive insurance. She reiterated that unlike the Lower 48, Alaska had not had too many problems with foreclosures

SENATOR MENARD commented that while she had sympathy for those situations, homes that were vacant in the winter could end up with frozen and broken pipes and that costs the insurance company money.

MS. FEEKEN responded that when a property has actually been abandon the bank is aware that payments aren't being made. The bank steps in and puts the utilities in its name.

[4:20:25 PM](#)

SENATOR WAGONER asked how she would fix the problem.

MS. FEEKEN suggested holding discussions with the Alaska Association of Realtors and others in the know to clarify what constitutes a vacant property and what constitutes an abandoned property.

CHAIR OLSON asked Ms. Hall if the state had a definition for "vacant" versus "abandoned."

[4:21:51 PM](#)

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), said no. Most states do not define "vacant," but there was some case law. She opined that if SB 157 were to pass, it would probably be one of the more rigid definitions, because it had requirements of what constitutes vacant.

CHAIR OLSON asked if the state had a definition for "abandonment."

MS. HALL answered no.

SENATOR WAGONER questioned why the bill was put forward, since Alaska did not have problems with foreclosures or high vacancy rates.

MS. HALL answered that she did not propose the bill.

SENATOR WAGONER asked if she felt that the bill was necessary.

MS. HALL responded that she had indicated that she could support the bill. She said the role of the Division of Insurance was to balance the protection of consumers against the healthy competitive marketplace and needs of insurers. The division involves itself in the correct interpretation and application of the statutes and regulations.

SENATOR MENARD asked about the possibility of the insurance company documenting vacancies and then communicating with the mortgage company to determine whether the homeowner was "in exit mode."

MS. HALL said she imagined that privacy laws would prohibit banks from releasing that kind of information.

SENATOR MENARD commented that she was not happy with the bill.

[4:27:34 PM](#)

ERROL CHAMPION, President, Southeast Alaska Board of Realtors and member, Alaska Association of Realtors, said he did some research after he testified last on SB 157 and learned that insurance companies in the state of Washington attach a rider on policies that say that if the home becomes vacant - according to a precise definition, the insurance company can cancel coverage. It is done with a rider, not a law. A Snohomish County insurance broker looked at the bill and felt the definitions for "vacant," "abandoned," and "unoccupied" needed work.

MR. CHAMPION questioned why the holder of the mortgage wouldn't be singled out for notification. In an actual foreclosure situation, the person who defaulted probably doesn't care if he gets notice of cancelation, he said. The real loser is the investor that owns the mortgage. Freddie Mac and Fannie Mae own most mortgages, so the public loses if there is no insurance coverage. He related a personal situation regarding an estate. The home was unoccupied and winterized and had not had a mortgage on it in 40 years, but if the bill were to pass someone could decide there was no insurance and the estate could lose everything, probably without notice.

MR. CHAMPION urged the committee to take the time to develop better definitions and pass a law that protected both the residents of the state and the investment in real property.

[4:31:08 PM](#)

DAVID SOMERS, Industry Issues Chair, Alaska Association of Realtors, said the testimony of both Ms. Feeken and Mr. Champion were spot on. He said the association appreciated the work in the previous committee, but more was needed. He cited examples of the people the bill would place at risk and observed that in each instance it would be easy for an insurance carrier to determine that the home was vacant.

He urged the committee to do more work and emphasized that the Alaska Association of Realtors wanted to work with the insurance industry to find a way to protect both the public and the insurance business.

CHAIR OLSON asked if any entities other than insurance companies supported the bill.

MR. SOMERS said he had not heard of anybody else that supported the bill.

CHAIR OLSON asked where title companies stood.

MR. SOMERS responded they did not take a position.

4:33:28 PM

SHELDON WINTERS, Lobbyist, State Farm, Lessmeier and Winters LLC, said State Farm had worked hard on the bill and had come up with the narrowest definition in the country. He said it was not that Alaska had high foreclosure rates. The issue was that everybody pays when uninsurable property stays in the risk pool. Insurance becomes more expensive and less available for everyone. He disagreed with previous testimony that adding a rider to the policy could solve the problem. Under current law and according the interpretation by the Division of Insurance, insurance companies cannot cancel the insurance in the situation of a home where the door was open, the utilities were off, and the pipes were freezing. That was the reason for the bill. Insurance companies want to be able to cancel in the most extreme situations. He noted that the previous committee had concerns with the original, broader bill and State Farm worked very hard to address those concerns.

SENATOR WAGONER asked if in the case of an abandoned home, the insurance company was required to notify the mortgage company of the decision to cancel the insurance.

MR. WINTERS said current statute required the insurance company to give 30-days written advance notice of cancellation to the insured, not the lender. State Farm does give notice to the lender, but because of privacy laws it does not give the reason for the cancellation. He suggested addressing notification in a separate bill. The policy call in SB 157 was whether insurers should be allowed to cancel abandoned property.

MR. WINTERS disagreed with a letter that realtors sent to the committee. He said it was State Farm's understanding that with the very narrow definition, none of the situations in that letter would constitute vacancy or abandonment. The only situation the bill was trying to address was true abandonment.

4:39:55 PM

SENATOR WAGONER asked how many times in the last several years had State Farm had to cancel an insurance policy.

MR. WINTERS said the technical answer was zero because it was against the law. However, between 2007 and 2011 State Farm did not renew 369 policies because the property was abandoned, vacant, or unoccupied.

[4:41:26 PM](#)

CHAIR OLSON commented that trailer houses were probably more likely to be abandoned than a mansion.

SENATOR WAGONER disagreed with the statement.

MR. WINTERS continued to say that State Farm believed this definition of "abandonment" was the most specific and narrow in the country. If it were any more specific, it would render the statute meaningless.

MR. WINTERS said contrary to what the realtors have said, the proposed amendment provides six protections. Upon discovery of potential abandonment, the agent will try to contact the insured to determine the status of the property and work with the insured to maintain coverage. The home would have to be entirely abandoned. The vacancy must increase the hazard insured against. The insurer had to give the insured 30-days written notice of cancellation. Finally, the Division of Insurance watches to ensure that the statute and regulations are not misinterpreted or misapplied.

MR. WINTERS emphasized that State Farm had heard no evidence of abuse of these laws in the Lower 48. He urged the committee to move the bill forward.

[4:46:32 PM](#)

CHAIR OLSON offered his understanding that the Division of Insurance was not totally in favor of the bill.

MR. WINTERS responded that he heard the testimony differently. He understood that the division didn't believe it was an overwhelming issue, but that amending the statute could be useful.

CHAIR OLSON acknowledged that.

SENATOR MENARD commented that risk pools were the price of doing business. She discussed medical risk pools and then expressed concern about military personnel who have sales fall through after they deployment.

MR. WINTERS responded that under the definition in the bill that was not entire abandonment. If that were actually a problem, there would be some evidence of that in this hearing. He reiterated that State Farm was only getting pushback in Alaska

about cancelling entirely abandoned property. He then explained the difference between a medical risk pool and a property insurance risk pool. Health insurance assumes people are going to get sick; the homeowner risk pool does not assume property abandonment.

[4:51:36 PM](#)

CHAIR OLSON asked why he would suppose that so many people have appeared to oppose the bill.

MR. WINTERS answered that State Farm reached out after receiving the realtor letter and tried to explain that the insurance company did not intend to cancel property in any circumstance other than actual abandonment. He reiterated that he worked hard on the definitions and didn't believe it could be more definite without rendering the statute meaningless. The realtors were well intentioned, but the evidence did not support their concerns.

CHAIR OLSON mentioned Mr. Champion's example and asked about protecting a vacant home while the estate was being settled.

MR. WINTERS highlighted the six protections he mentioned earlier.

CHAIR OLSON asked Ms. Hall if she had closing comments.

[4:54:33 PM](#)

MS. HALL said Mr. Winters was probably correct that the definition was the most stringent in the country. "I'm all right with it," she said. The division had the ability to enforce the definition knowing the intent. With regard to notice, she explained that frequently an insurance policy was endorsed to have a loss payee and that endorsement, by contract, required notice to the lender that the policy was being canceled. With regard to an estate, it can well protect itself by changing the name of the insured on a policy to the estate of the deceased. That was common practice.

CHAIR OLSON announced he would hold SB 157 in committee.

[4:56:52 PM](#)

There being no further business to come before the committee, Chair Olson adjourned the Senate Community and Regional Affairs Standing Committee meeting at 4:56 p.m.