

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 25, 2013

3:19 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Lora Reinbold, Vice Chair
Representative Mike Chenault
Representative Bob Herron
Representative Charisse Millett
Representative Dan Saddler
Representative Andy Josephson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 168

"An Act amending the definition of travel insurance for the purpose of describing a person eligible for a travel insurance limited producer license; and authorizing a person selling travel services to transact the business of travel insurance on behalf of and under the direction of a person licensed as a travel insurance limited producer."

- MOVED CSHB 168(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 102

"An Act relating to property exemptions for retirement plans, individual retirement accounts, and Roth IRAs; relating to transfers of individual retirement plans; relating to the rights of judgment creditors of members of limited liability companies and partners of limited liability partnerships; relating to the Uniform Probate Code, including pleadings, orders, liability, and notices under the Uniform Probate Code and the Alaska Principal and Income Act, the appointment of trust property, the Alaska Uniform Prudent Investor Act, co-trustees, trust protectors, and trust advisors; relating to the Alaska Principal and Income Act; relating to the Alaska Uniform Transfers to Minors Act; relating to the disposition of human remains; relating to the tax on insurers for life insurance policies; relating to insurable interests for certain insurance policies; relating to restrictions on transfers of trust interests;

relating to discretionary interests in irrevocable trusts; relating to the community property of married persons; and amending Rule 64, Alaska Rules of Civil Procedure, and Rule 301(a), Alaska Rules of Evidence."

- MOVED CSHB 102(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 168

SHORT TITLE: TRAVEL INSURANCE

SPONSOR(S): LABOR & COMMERCE

03/15/13	(H)	READ THE FIRST TIME - REFERRALS
03/15/13	(H)	L&C
03/25/13	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 102

SHORT TITLE: RETIREMENT PLANS; ROTH IRAS; PROBATE

SPONSOR(S): KELLER

02/01/13	(H)	READ THE FIRST TIME - REFERRALS
02/01/13	(H)	L&C, JUD
02/25/13	(H)	L&C AT 3:15 PM BARNES 124
02/25/13	(H)	Heard & Held
02/25/13	(H)	MINUTE(L&C)
03/20/13	(H)	L&C AT 3:45 PM BARNES 124
03/20/13	(H)	Heard & Held
03/20/13	(H)	MINUTE(L&C)
03/22/13	(H)	JUD AT 1:00 PM CAPITOL 120
03/22/13	(H)	<Bill Hearing Canceled>
03/25/13	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ANNA LATHAM, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, Representative Kurt Olson, presented HB 168 and explained the changes in the proposed committee substitute, Version O.

JOHN FIELDING, Attorney
Steptoe & Johnson, LL&C
Washington, D.C.

POSITION STATEMENT: Testified in support of HB 168.

ERNEST PRAX, Staff
Representative Wes Keller
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Wes Keller, sponsor, presented changes in the proposed committee substitute for HB 102.

BRET KOLB, Director
Division of Insurance (DOI)
Anchorage Office
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 102.

ACTION NARRATIVE

[3:19:46 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:19 p.m. Representatives Chenault, Millett, Reinbold, Josephson, and Olson were present at the call to order. Representatives Saddler and Herron arrived as the meeting was in progress.

HB 168-TRAVEL INSURANCE

[3:20:08 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 168, "An Act amending the definition of travel insurance for the purpose of describing a person eligible for a travel insurance limited producer license; and authorizing a person selling travel services to transact the business of travel insurance on behalf of and under the direction of a person licensed as a travel insurance limited producer."

[3:20:22 PM](#)

ANNA LATHAM, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of Representative Kurt Olson, sponsor, stated that HB 168 is based on National Council of Insurance Legislators (NCOIL) recommendations, who have worked with states for the goal of improving consumer protection and creating consistency in travel insurance sales. She provided a section-

by-section analysis. Section 1 would redefine travel insurance, which provides insurance coverage for personal risks connected to travel including trip interruptions, cancellations, lost baggage or personal effects, damage to accommodations or rental vehicles, for sickness, accident, disability, or death occurring during travel. This insurance does not include comprehensive medical insurance that provides coverage for trips lasting six months or longer. She reiterated that this is NCOIL's attempt to standardize the definition of travel insurance in all 50 states. Alaska's version is slightly modified, she said.

MS. LATHAM said Section 2 would add a new section defining travel insurance and identifying who may transact travel insurance. It would allow a person who transacts travel services the ability to sell those products under the direction of a person holding a travel insurance limited producer's license. It would also require a travel insurance limited producer to maintain a register of all persons selling insurance on their behalf, and to provide a training program. It would limit the information that a person transacting travel insurance may and may not provide to a customer. It also would make a travel insurance limited producer liable for the acts of a person selling travel insurance on the producer's behalf.

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MS. LATHAM said NCOIL prepared this model since 41 different qualifications were required for travel agents to become licensed to sell insurance across the U.S. Additionally, many states do not accept the same electronic applications, which impact the length of time it takes to become licensed in an industry with high job turnover. Further, travel agents really are not in the insurance business since insurance sales account for approximately 2 percent of the overall revenue. The travel industry has changed significantly in the past 20 years from brick and mortar to Internet transactions that cross state lines. This NCOIL model would establish a licensing framework that reflects the unique distribution system of travel insurance in the industry and will place the regulatory burden on the insurer, who develops and distributes the product. This would improve consumer protection by requiring clear accountability and notice to the consumer and regulator with respect to who is responsible for the sale. This model clearly distinguishes between licensed and non-licensed activities for limited lines of product, such as travel insurance, and would promote uniformity to help states more effectively govern these products. Thus far, a version of this model travel insurance

has been enacted in eight states and awaits governor signatures in two other states, with bills pending in 16 states, including Alaska. She concluded that this bill is deregulatory in nature and would bring Alaska in line with the national model.

CHAIR OLSON related this is similar with what occurs for customers of car rentals when the person at the counter offers them a limited insurance product.

[3:25:30 PM](#)

REPRESENTATIVE REINBOLD moved to adopt the committee substitute (CS) for HB 168, Version 0, [labeled 28-LS0562\0, Bailey, 3/22/13] as the working document [Version 0 was before the committee.]

CHAIR OLSON objected for purpose of discussion.

[3:25:59 PM](#)

MS. LATHAM explained the changes made in the proposed committee substitute (CS) for HB 168, Version 0. She highlighted that the changes were technical in nature, for purposes of clarity, and none were substantive changes. She referred to page 4, line 26, which reorganizes the language that requires the travel insurance limited producer to maintain a register. Everything in the register is contained in subsection (a), (b), & (c). On page 5 line 7, the language requires a person transacting travel insurance to complete a training program.

CHAIR OLSON removed his objection.

[3:27:41 PM](#)

REPRESENTATIVE JOSEPHSON asked whether this bill will create difficulties when people feel they need recourse and have not received benefits of the travel insurance. He assumed the people would still go to the original broker for assistance.

MS. LATHAM answered that HB 168 contains consumer protection, such that complaints or comments would be directed to the producer. She previously asked the department about complaints with the 259 resident and nonresident limited lines of insurance registered in the state. She advised that the Division of Insurance reported very few complaints; however, she agreed any complaints would be addressed by the producer.

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JOHN FIELDING, Attorney, Steptoe & Johnson, LL&C, stated his firm represents the U.S. Travel Insurance Association. He urged members to adopt HB 168. He said the U.S. Travel Insurance Association believes this bill is good for consumers, regulators, and the industry. First, this bill is good for consumers since it will provide training to retail travel agents who offer and disseminate the products. It also requires disclosures to consumers, not currently required, in terms of the product and the retail travel agents permitted to offer it. Second, it is good for regulators since it provides a streamlined process to provide regulators information in case anything goes wrong. Finally, it is good for the industry, such as the U.S. Travel Insurance Association (USTIA) members, since the process is difficult for retail travel agents to comply with obligations throughout the U.S. The industry has changed significantly and some agents must be licensed in numerous states across the country, but these agents are travel agents and not insurance agents. This bill would appropriately place the onus on the insurance members and the intermediaries who are the insurance "players" in this program. They must comply and ensure that everyone in the system is in compliance. He urged members to support HB 168.

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 168.

[3:32:26 PM](#)

REPRESENTATIVE JOSEPHSON stated he would support the bill since it is a good bill. People need to be careful about their policies, he said. He recalled his own experience in which he represented four deceased Germans who died west of Whitehorse. The case became a vicious dispute about jurisdiction and questions arose as to whether the case should be filed in Alaska or in Canada. This bill just brought back his experiences and he reiterated his support for HB 168.

[3:34:09 PM](#)

CHAIR OLSON remarked he has been involved with the bill from the NCOIL perspective and declared a conflict. The intent of this bill is to provide standardization, level the playing field, and remove unnecessary hurdles.

[3:34:38 PM](#)

REPRESENTATIVE REINBOLD moved to report the proposed committee substitute (CS) for HB 168, Version O, [labeled 28-LS0562\O, Bailey, 3/22/13] out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, the CSHB 168(L&C) was reported from the House Labor and Commerce Standing Committee.

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The committee took an at-ease from 3:34 p.m. to 3:38 p.m.

HB 102-RETIREMENT PLANS; ROTH IRAS; PROBATE

[3:38:34 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 102, "An Act relating to property exemptions for retirement plans, individual retirement accounts, and Roth IRAs; relating to transfers of individual retirement plans; relating to the rights of judgment creditors of members of limited liability companies and partners of limited liability partnerships; relating to the Uniform Probate Code, including pleadings, orders, liability, and notices under the Uniform Probate Code and the Alaska Principal and Income Act, the appointment of trust property, the Alaska Uniform Prudent Investor Act, co-trustees, trust protectors, and trust advisors; relating to the Alaska Principal and Income Act; relating to the Alaska Uniform Transfers to Minors Act; relating to the disposition of human remains; relating to the tax on insurers for life insurance policies; relating to insurable interests for certain insurance policies; relating to restrictions on transfers of trust interests; relating to discretionary interests in irrevocable trusts; relating to the community property of married persons; and amending Rule 64, Alaska Rules of Civil Procedure, and Rule 301(a), Alaska Rules of Evidence."

CHAIR OLSON recapped that the committee previously has a presentation, adopted the proposed committee substitute (CS), Version U, and took public testimony.

[3:39:00 PM](#)

ERNEST PRAX, Staff, Representative Wes Keller, Alaska State Legislature, on behalf of Representative Wes Keller, sponsor, referred to the committee substitute (CS) Version U, [labeled 28-LS0335\U, Bannister, 2/26/13]. He briefly explained the

differences from the original version to Version U, which corrects a drafting error on page 3, line 3. The committee substitute also deleted Section 38 of the original bill, since some question arose as to the necessity of the language. Thus the sponsor deleted the language. [Section 38 would expand the allowable time an insurance contract may be procured on the life of body of a person with whom there is a significant financial interest in the continued life of that person being insured].

[3:39:59 PM](#)

REPRESENTATIVE SADDLER asked for clarification on whether these remarks reflected the changes in Version U.

REPRESENTATIVE CHENAULT asked for clarification on Section 38.

CHAIR OLSON noted that a draft amendment in members' packets labeled U.1 conceptual will not be offered.

[3:41:37 PM](#)

REPRESENTATIVE REINBOLD made a motion to adopt Amendment 1, labeled [28-LS0335\U.3, Bannister, 3/20/13], which read, as follows:

Page 35, line 22:

Delete "**a single**" [AN INDIVIDUAL]"

Insert "an individual"

Page 35, lines 23 - 24:

Delete "**or for a group or other type of policy that insures the life of one or more individuals**"

Insert "**, or for a life insurance policy issued for delivery to a trust that was formed under the laws of this state or contains a provision that laws of this state govern the validity, construction, and administration of the trust,**"

Page 44, following line 1:

Insert a new subsection to read:

"(d) AS 21.09.210(m), as amended by sec. 37 of this Act, applies to a life insurance policy issued for delivery to a trust if the life insurance policy is issued for delivery to a trust on or after the effective date of AS 21.09.210(m), as amended by sec. 37 of this Act."

Reletter the following subsection accordingly.

CHAIR OLSON objected for the purpose of discussion.

[3:41:58 PM](#)

BRET KOLB, Director, Division of Insurance (DOI); Anchorage Office, Department of Commerce, Community & Economic Development (DCCED), stated that Amendment 1 would delete the language "or for a group or other type of policy that insures the life of one or more individuals" which the division thought was broad and [adds language that] ties it to trusts. The intent of HB 102 is to address trusts and the way the bill was originally drafted it broadened out the premium tax handling for every type of insurance instead of limiting it to insurance related to trusts. He clarified that the language in Amendment 1, lines 8-10 defines it to limit the bill to a life insurance policy delivered for a trust that would receive the favorable treatment, which is 2.7 percent premium tax for the first \$100,000 in premium and one-tenth of one percent for the premium above the first \$100,000.

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REPRESENTATIVE JOSEPHSON asked where the state would stand vis-à-vis other states in terms of rate charges over \$100,000 and whether Alaska would be the most generous rate.

MR. KOLB answered no; that other states, perhaps South Dakota, offer eight-tenths of one percent for insurance above the first \$100,000 of premium as opposed to one-tenth of one percent, although he admitted he was unsure of the rate for the first \$100,000.

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REPRESENTATIVE JOSEPHSON asked whether the insured person for the trust needs to have some connection to Alaska, such as property or other nexus.

MR. KOLB answered that that the question pertains to trust law and not insurance so unfortunately he doesn't know the answer.

REPRESENTATIVE JOSEPHSON asked whether an amendment in members' packets labeled U.2 would be offered.

CHAIR OLSON answered yes.

CHAIR OLSON removed his objection. There being no further objection, Amendment 1 was adopted.

[3:45:52 PM](#)

REPRESENTATIVE REINBOLD made a motion to adopt Amendment 2, labeled U.2 [labeled 28-LS0335\U.2, Bannister, 3/15/13], which read as follows:

Page 1, line 12:
Delete "**and**"

Page 2, line 2:
Delete "**Evidence**"
Insert "**Evidence; and providing for an effective date**"

Page 35, following line 27:
Insert a new bill section to read:
"*** Sec. 38.** AS 21.09.210(m), as amended by sec. 37 of this Act, is amended to read:
(m) The tax imposed under this section for **an individual** [A SINGLE] life insurance policy [OR FOR A GROUP OR OTHER TYPE OF POLICY THAT INSURES THE LIFE OF ONE OR MORE INDIVIDUALS] shall be computed at the rate of
(1) 2.7 percent of policy year premium up to \$100,000; and
(2) one-tenth of one percent of policy year premium exceeding \$100,000."

Renumber the following bill sections accordingly.

Page 43, line 9:
Delete "sec. 42"
Insert "sec. 43"

Page 43, line 13:
Delete "sec. 45"
Insert "sec. 46"

Page 43, line 15:
Delete "sec. 45"
Insert "sec. 46"

Page 44, line 2:

Delete "42"
Insert "43"

Page 44, following line 5:

Insert a new bill section to read:

"* Sec. 52. The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 21.09.210(m), as amended by sec. 38 of this Act, applies to a policy offered, issued for delivery, or delivered on or after the effective date of AS 21.09.210(m), as amended by sec. 38 of this Act. In this section, "policy" has the meaning given in AS 21.97.900."

Renumber the following bill section accordingly.

Page 44, line 8:

Delete "sec. 42"
Insert "sec. 43"

Page 44, line 9:

Delete "sec. 49(a)"
Insert "sec. 50(a)"

Page 44, line 11:

Delete "sec. 45"
Insert "sec. 46"
Delete "sec. 49(b)"
Insert "sec. 50(b)"

Page 44, following line 13:

Insert a new bill section to read:

"* Sec. 54. AS 21.09.210(m), as amended by sec. 38 of this Act, and sec. 52 of this Act take effect five years after the effective date of sec. 37 of this Act."

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MR. KOLB explained that Amendment 2 would provide a sunset provision after five years, so the statutes would revert to exactly to how insurance is handled today. It would remove the favorable trust treatment just to ensure that the process is working adequately, he said.

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CHAIR OLSON commented that at this point it does not appear the state has missed any premium sales. In fact, it appears the state has been competitive on the few number of policies issued; however, if it turns out that hundreds or thousands of policies are over the limit of the premium, the state could lose a significant amount of premium tax. He related his understanding [Amendment 2] would not interfere with existing contracts, but would apply to new contracts after the sunset date. The proposed language change [in Amendment 2] would give the director a means to determine whether an adjustment is required. Additionally, this amendment would provide a means to measure the effect of the change after a reasonable amount of time.

CHAIR OLSON removed his objection. There being no further objection, Amendment 2 was adopted.

[3:48:21 PM](#)

REPRESENTATIVE REINBOLD moved to report the proposed committee substitute (CS) for HB 102, Version U, [labeled 28-LS0335\U, Bannister, 2/26/13] as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 102 (L&C) was reported from the House Labor and Commerce Standing Committee.

[3:48:40 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:48 p.m.