

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 21, 2013

1:30 p.m.

MEMBERS PRESENT

Senator Mike Dunleavy, Chair
Senator Peter Micciche, Vice Chair
Senator Donald Olson
Senator Bert Stedman
Senator Johnny Ellis

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 26

"An Act extending the termination date of the Board of Public Accountancy; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 65

"An Act relating to property exemptions for retirement plans, individual retirement amending Rule 64, Alaska Rules of Civil Procedure, and Rule 301(a), Alaska Rules of accounts, and Roth IRAs; relating to transfers of individual retirement plans; relating to Evidence." 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

- HEARD AND HELD

SENATE BILL NO. 55

"An Act relating to actions by insurers based on credit history or insurance score."

- MOVED SB 55 OUT OF COMMITTEE

SENATE BILL NO. 52

"An Act providing that portable electronics insurance is not a service contract; defining portable electronics insurance; authorizing the director of insurance to issue a limited producer license to a portable electronics vendor for the sale of portable electronics insurance; and authorizing the employees and representatives of a vendor to transact portable electronics insurance."

- MOVED CSSB 52 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 26

SHORT TITLE: EXTEND BOARD OF PUBLIC ACCOUNTANCY

SPONSOR(S): REPRESENTATIVE(S) HAWKER, THOMPSON

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	L&C, FIN
01/28/13	(H)	L&C AT 3:15 PM BARNES 124
01/28/13	(H)	Moved Out of Committee
01/28/13	(H)	MINUTE(L&C)
01/30/13	(H)	L&C RPT 7DP
01/30/13	(H)	DP: CHENAULT, HERRON, REINBOLD, SADDLER, MILLETT, JOSEPHSON, OLSON
02/12/13	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/12/13	(H)	Moved Out of Committee
02/12/13	(H)	MINUTE(FIN)
02/13/13	(H)	FIN RPT 8DP 1NR 1AM
02/13/13	(H)	DP: NEUMAN, COSTELLO, EDGMON, HOLMES, MUNOZ, THOMPSON, T.WILSON, STOLTZE
02/13/13	(H)	NR: KAWASAKI
02/13/13	(H)	AM: GARA
02/15/13	(H)	TRANSMITTED TO (S)
02/15/13	(H)	VERSION: HB 26
02/19/13	(S)	READ THE FIRST TIME - REFERRALS
02/19/13	(S)	L&C, FIN
02/28/13	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/28/13	(S)	-- Meeting Postponed to 3/19/13 --

03/19/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/19/13 (S) -- MEETING CANCELED --
03/21/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 65

SHORT TITLE: RETIREMENT PLANS; ROTH IRAS; PROBATE

SPONSOR(s): SENATOR(s) COGHILL

02/27/13 (S) READ THE FIRST TIME - REFERRALS
02/27/13 (S) L&C, JUD
03/21/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 55

SHORT TITLE: INSURER'S USE OF CREDIT SCORES

SPONSOR(s): LABOR & COMMERCE

02/15/13 (S) READ THE FIRST TIME - REFERRALS
02/15/13 (S) L&C
02/26/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/26/13 (S) Heard & Held
02/26/13 (S) MINUTE(L&C)
03/19/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/19/13 (S) -- MEETING CANCELED --
03/21/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 52

SHORT TITLE: PORTABLE ELECTRONICS INSURANCE

SPONSOR(s): COGHILL

02/13/13 (S) READ THE FIRST TIME - REFERRALS
02/13/13 (S) L&C
02/26/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/26/13 (S) Heard & Held
02/26/13 (S) MINUTE(L&C)
03/21/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

CECILE ELLIOT, Staff
Representative Mike Hawker
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Introduced HB 26 on behalf of the sponsor.

KRIS CURTIS, Legislative Auditor
Division of Legislative Finance
Legislative Agencies & Offices

Juneau, AK

POSITION STATEMENT: Testified on HB 26 to describe the sunset audit of the Board of Public Accountancy.

KAREN TARVER, CPA

State Board of Public Accountancy

Juneau, AK

POSITION STATEMENT: Answered questions about HB 26.

DON HABEGER, Director

Division of Corporation, Business and Professional Licensing,
Department of Commerce, Community and Economic Development

Juneau, AK

POSITION STATEMENT: Addressed a question about the fiscal note for HB 26.

CHAD HUTCHISON, Staff

Senator Coghill

Alaska State Legislature

Juneau, AK

POSITION STATEMENT: Introduced SB 65 on behalf of the sponsor.

BETH CHAPMAN, Attorney

Juneau, AK

POSITION STATEMENT: Provided supporting information on SB 65.

DAVE SHAFTEL, Attorney

Anchorage, AK

POSITION STATEMENT: Provided supporting information on SB 65.

DOUGLAS BLATTMACHR, President and CEO

Alaska Trust Company

Anchorage, AK

POSITION STATEMENT: Testified in strong support of SB 65.

BRET S. KOLB, Director

Division of Insurance

Department of Commerce, Community and Economic Development

Anchorage, AK

POSITION STATEMENT: Answered questions on SB 65.

MICHAEL DUNSMORE, representing himself

Anchorage, AK

POSITION STATEMENT: Testified in opposition to SB 55.

DANIEL LYNCH, representing himself

Soldotna, AK

POSITION STATEMENT: Testified in opposition to SB 55.

GEORGE PIERCE, representing himself
Kasilof, AK

POSITION STATEMENT: Testified in opposition to SB 55.

KENTON BRINE, Northwest Regional Manager and Assistant Vice
President
Property Casualty Insurers Association of America (PCI)
Olympia, WA

POSITION STATEMENT: Provided supporting testimony on SB 55.

KARI NORE, Intern
Senator John Coghill
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Introduced SB 52 on behalf of the sponsor.

RYNNIEVA MOSS, Staff
Senator John Coghill
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Provided supporting information on SB 52.

ACTION NARRATIVE

[1:30:53 PM](#)

CHAIR MIKE DUNLEAVY called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Stedman, Ellis, Micciche, and Chair Dunleavy. Senator Olson joined the meeting soon thereafter.

HB 26-EXTEND BOARD OF PUBLIC ACCOUNTANCY

[1:31:38 PM](#)

CHAIR DUNLEAVY announced the consideration of HB 26. "An Act extending the termination date of the Board of Public Accountancy; and providing for an effective date." He noted that this was the first hearing on the bill.

[1:31:49 PM](#)

SENATOR OLSON joined the meeting.

CECILE ELLIOT, Staff, Representative Mike Hawker, sponsor of HB 26, explained that it is statutorily required for boards and commissions to undergo sunset audits. The legislative auditors have conducted the required sunset audit of [the Board of Public

Accountancy] and have recommended extending the termination date until June 30, 2021.

[1:32:41 PM](#)

KRIS CURTIS, Legislative Auditor, Division of Legislative Finance, Legislative Agencies & Offices, said the agency conducted a sunset audit of the Board of Public Accountancy and found that the board was operating in the public's interest so they recommended an eight-year extension. She noted that the agency had one continuing recommendation from 2008 to take steps to address the problems with the investigative case management system in the Division of Corporations, Business and Professional Licensing.

[1:33:50 PM](#)

KAREN TARVER, CPA, State Board of Public Accountancy, Juneau, AK, introduced herself.

SENATOR MICCICHE asked if the annual board costs of \$161,700 were in line with fiscal notes from previous years.

MS. TARVER suggested the state was better prepared to answer that question, but it was similar to previous years.

SENATOR MICCICHE asked if the eight-year extension was typical.

MS. TARVER offered her understanding that this extension was a little longer because issues found in the last audit were resolved.

[1:35:07 PM](#)

DON HABEGER, Director, Division of Corporation, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), addressed the question about the fiscal note for HB 26. He explained that the cost of a board program will fluctuate from year-to-year and those fluctuations are driven by things such as investigative costs and travel. However, the fiscal note reflects an average and fees fluctuate from time-to-time to recoup those costs.

[1:36:12 PM](#)

CHAIR DUNLEAVY found no further questions or testimony and stated he would hold HB 26 in committee.

SB 65-RETIREMENT PLANS; ROTH IRAS; PROBATE

[1:36:29 PM](#)

CHAIR DUNLEAVY announced the consideration of SB 65. "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 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." This was the [first] hearing.

1:37:35 PM

CHAD HUTCHISON, Staff, Senator Coghill, sponsor of SB 65, said he would present the bill with assistance from Beth Chapman and David Shaftel. He described these attorneys as the predominant engines behind the drafting of the bill. He noted that previous legislatures considered substantially similar versions of SB 65, but failed due to time constraints. He reviewed the bills from previous sessions.

MR. HUTCHINSON explained that SB 65 focuses on trusts and updates trust law in Alaska. He reminded members that a trust is a legal relationship created at the direction of an individual, in which one or more people hold the individual's property, subject to certain duties, to use and protect it for the benefit of others. Trusts are useful planning tools that are created for the benefit of a child, for somebody who is unable to manage assets him or herself, to avoid probate proceedings, and to reduce estate taxes.

He relayed that Alaska first modernized its trust statutes in 1997, which put Alaska at the forefront and resulted in commerce and jobs for Alaskans. People in the state and nationwide were able to plan their financial future and security in Alaska. Since 1997, some states have kept pace with Alaska trust law and some states have surpassed it. SB 65 seeks to update the statutes and again put Alaska at the cutting edge of trust law.

SB 65 will encourage job growth, trust investments, banking, legal industries, and will diversify the economic portfolio of the state. It will show that Alaska can compete in the highly competitive financial planning sector. It will encourage both residents and nonresidents to plan their financial futures in this state. He deferred questions about specific sections of the bill to Ms. Chapman and Mr. Shaftel.

[1:42:55 PM](#)

BETH CHAPMAN, Attorney, Juneau, AK, said she has practiced in the area of trusts and estates for 25 years, and has worked on this legislation for several years. It will provide flexibility in trust and estate laws to respond to changing circumstances so that families can protect their assets from generation to generation. She pointed out that the bill also adopts the Uniform Disposition of Remains Act. This law, which is new to Alaska, allows an individual to designate his or her own burial or cremation wishes and makes them legally binding. Alaska currently has no guidelines in this area and there has been litigation among family members about who had authority to make a burial decision. She noted that in many of these cases, the decedent's wishes were not followed.

[1:44:09 PM](#)

SENATOR ELLIS asked if Alaska is updating its trust laws to address changing legal circumstances or to make Alaska more attractive than other jurisdictions for parking money and doing this kind of business. If Alaska is only competing to have the most attractive laws, he wondered at what point it would be good for just professionals, not consumers, and when common sense would dictate that it's enough.

MS. CHAPMAN confirmed that the bill does have an element of trying to ensure that other states are not taking business from the state of Alaska. However, the provisions in SB 65 are dictated by common sense and, based on her practice, are not designed to compete with other states; they generally address problems that have arisen during litigation. More and more individuals and families are relying on trusts and it's important to continue to develop the law, she said.

[1:46:50 PM](#)

SENATOR OLSON asked what the IRS consequences would be if this legislation were to become law.

MS. CHAPMAN explained that the bill is written to provide safeguards against tax consequences. Many of the provisions

update current statutes to ensure that an individual cannot inadvertently create a tax problem.

SENATOR OLSON asked if she was saying that if he received assets from his parents' trust, that would not create adverse IRS consequences if he kept the assets or transferred them to his children.

MS. CHAPMAN said it would depend on how the trust was written, but the proposed laws would allow parents to draft a trust to pass assets from generation to generation without any additional estate or gift tax.

SENATOR OLSON asked how that is different from current law.

MS. CHAPMAN said Sections 9-11 provide an example of the safeguards the bill provides. These sections relate to modifications of trusts, referred to as decanting. This is a provision that allows a trustee to extend the term of a trust when it is deemed necessary. For example, a parent has established a trust for a child that terminates at age 25, but the child has developed significant substance abuse problems and the parent does not want to give the child the money. The decanting provision allows the trust to continue. The concern with the current statute is that the IRS potentially could argue that it gives the trustee too much power. The bill addresses this by focusing on how much power a trustee can be given to ensure that it does not conflict with the IRS code and accidentally invoke an estate or gift tax.

[1:49:10 PM](#)

SENATOR OLSON asked if a beneficiary could use trust assets as collateral for a loan.

MS. CHAPMAN said it would depend on how the trust is written. If it is a spendthrift trust, which is designed to protect the assets from the beneficiary's creditors, the individual would not be able to pledge the assets of the trust for a personal loan. However, the trust could borrow the money from a commercial institution in which case the trust assets would be pledged as collateral.

SENATOR OLSON asked what the bill does to protect the beneficiary when the writer of the trust dies and has creditor claims.

MS. CHAPMAN explained that if the trust was established as irrevocable (meaning that the writer could not take the money back) the creditors of the decedent would not be able to attach the funds in the trust. The funds would pass on to the beneficiary free of those claims, because it is considered a completed gift at the time the trust is established.

SENATOR OLSON asked what protection a creditor has in that circumstance.

MS. CHAPMAN explained that if it is a spendthrift trust and there are outstanding creditors, there is a statute of limitations for when claims can be presented. However, if the assets in the trust were pledged as security, the trust cannot defeat a perfected security interest.

DAVID SHAFTEL, Attorney, Anchorage, AK, said he practices in the area of estate planning and trust and estate administration. He related that he is a member of a group of attorneys and trust officers that, since 1997, have suggested improvements to Alaska's trust and estate laws. Responding to Senator Ellis, he said there are 17 subjects in this bill that this group has worked on for about three years. As Mr. Hutchinson indicated, most of the provisions were reviewed by both the Senate and House last year, but didn't make it through the process due to time considerations. He offered his belief that 80 percent of the provisions are designed to assist Alaskan residents with Alaska trust and estate law, not to attract business from other jurisdictions. The provisions are intended to upgrade and improve Alaska statutes for administration of trusts and estates and for estate planning purposes. For example, in 2003, the legislature adopted the Alaska Uniform Principal and Income Act and the IRS has since issued final regulations. Sections 16-32 of the original bill propose amendments based on those regulations that will allow Alaska to take advantage of the flexibility that Congress has approved for trusts.

MR. SHAFTEL explained that Sections 1-3 conform Alaska law to the majority rule among the states to exempt the beneficiary's interest in a retirement plan or IRA under state law. In Section 43, there is a new provision that allows for the transfer of an IRA interest. This will give Alaska residents (and residents of other states who want to take advantage of it) the ability to transfer an IRA interest to a trust.

Section 37 contains provisions to update the insurable interest provision in Alaska law. He explained that it is common for a

person to buy an insurance policy and place it in a trust so that the proceeds won't be taxable under the estate tax when the insured dies. This clarifies that it is still an insurable interest and valid under state law. He noted that the current law does not address that.

MR. SHAFTEL said his practice is similar to Ms. Chapman's in the respect that about 95 percent of his clients are Alaska residents. The legislature's continuing efforts to update these laws is for the benefit of all Alaskans, he said.

[1:58:19 PM](#)

DOUGLAS BLATTMACHR, President and CEO, Alaska Trust Company (ATC), Anchorage, AK, said ATC strongly supports SB 65, which updates Alaska trust laws. In the past these laws have helped create jobs and commerce and have helped bring revenue to the state.

SENATOR OLSON asked if the bill would affect the cost of establishing a trust.

MR. BLATTMACHR said ATC bases its fees on the facts and circumstances of a particular individual or family situation. The bill does not address those fees; it simply modernizes the law.

[2:00:02 PM](#)

BRET S. KOLB, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), Anchorage, AK, offered to answer questions on SB 65.

SENATOR OLSON asked why this legislation hasn't made it through the process in previous years if it's such a good law.

MR. KOLB offered his understanding that it was a matter of timing, not the merits of the bill.

[2:01:08 PM](#)

CHAIR DUNLEAVY found no further questions or public testimony. He announced he would hold SB 65 in committee and continue to take public testimony at a subsequent meeting.

SB 55-INSURER'S USE OF CREDIT SCORES

[2:01:27 PM](#)

CHAIR DUNLEAVY announced the consideration of SB 55. "An Act relating to actions by insurers based on credit history or insurance score." He noted that this was the second hearing.

[2:01:46 PM](#)

At ease

[2:02:35 PM](#)

CHAIR DUNLEAVY reconvened the meeting and opened public testimony.

[2:02:49 PM](#)

MICHAEL DUNSMORE, representing himself, Anchorage, AK, testified in opposition to SB 55. He said that the basic concept of allowing credit scores to be used to determine insurance rates is flawed. He heard testimony that an insurance company could impose a higher rate if a person has a poor credit score and lower the rate if a person has a good credit score. However, he has a hard time believing that an insurance company would voluntarily give a lower rate than was offered initially, because that is not a good business model.

He offered his belief that it would be a poor decision to allow insurance agencies to base their billings on a credit score that is inherently not transparent and that the legislature can't review. This would not benefit the people of Alaska, but it would give insurance companies another arbitrary reason to deny coverage or increase rates. In particular, the concept of this bill has the potential to hurt low-income people. They are more likely to have other concerns than paying attention to their credit scores and are more likely to have difficulty paying their bills. This bill would make it possible for insurance to penalize them more and provide higher costs for their insurance coverage. He asked the committee not to pass SB 55.

[2:07:43 PM](#)

DANIEL LYNCH, representing himself, Soldotna, AK, said he was testifying in support of common sense and against SB 55. He said credit ratings should have zero influence on insurance rates. Insurance worthiness would be better judged by high school and college grades, height, weight, or physical health, not credit scores from an independent corporate business that is known to have up to 40 percent inaccurate information.

He pointed out that people are constitutionally entitled to a right of privacy. Therefore, it is a violation of a person's privacy for a private credit rating organization to use the

person's credit information if the person doesn't voluntarily provide it. A person's driving record, the value of their car, home construction methods, renter's belongings and distances from fire suppression or flood plains is information that can be obtained without privacy violations. Noting that some legislators have stated that accessing a person's credit score is already allowed when the initial policy is written, he said two wrongs don't make a right and the initial policy procedure should be voided.

MR. LYNCH said he has a commercial driver's license and has driven in Alaska for 20 years with no DUIs, moose collisions, accidents, or tickets, yet his premiums have increased with each bill. He imagined that his credit score is nonexistent or skewed since he has no loans, credit cards, payment plans, or subscriptions to credit agencies. He said that most young people are just beginning to establish credit, but one layoff slip, late payment, or health problem increases their insurance rates and that isn't right. He urged the committee to get back to the basics and protect the consumer, not the corporations.

[2:11:49 PM](#)

GEORGE PIERCE, representing himself, Kasilof, AK, testified in opposition to SB 55, because an insurance company accessing his credit score is an invasion of his privacy.

[2:12:57 PM](#)

KENTON BRINE, Northwest Regional Manager and Assistant Vice President, Property Casualty Insurers Association of America (PCI), Olympia, WA, said PCI is a national trade association of property casualty insurance companies. Many of these companies write policies in Alaska and they represent about 35 percent of the home and auto insurance in this marketplace. He offered to answer questions.

SENATOR MICCICHE asked if it was his position that the bill would not raise people's insurance rates.

MR. BRINE relayed that federal antitrust laws forbid him from predicting rates in a marketplace, but PCI has testified previously that credit-based insurance scores benefit consumers. Credit is an accurate predictor and studies show it either improves the insured's risk or does no harm. He referenced the testimony today and clarified that credit scoring is already allowed for insurance companies. The bill simply allows the practice to continue when a policy renews. He highlighted that studies show that a significant number of Alaska policyholders

are receiving rate increases because insurance companies have to strip out the credit at renewal and rerate the policyholder after two years. That is causing rates to go up in Alaska today, but that would end if insurers were allowed to use a policyholder's credit at renewal.

SENATOR MICCICHE said he understands some of the opposition. He related an experience two constituents had when they renewed their vehicle insurance policy and observed that the rate increase appeared to be somewhat arbitrary. He asked what would keep some other, potentially arbitrary, factor from being used to set insurance rates in the future.

MR. BRINE disagreed with the characterization that rates are set arbitrarily because the models are sophisticated and preapproved by the insurance department. He said he couldn't speculate about what occurred with the policyholders Senator Micciche mentioned, but some rating factors must have been unfavorable or factors that were not related specifically to those people might have caused rates to increase within a tier. He reiterated that one of the benefits of credit scoring is that it is a highly accurate predictor of loss, although it may not make intrinsic sense to some people. He said that other rating factors that might interfere with a person's ability to get lower cost insurance fall to a lower level of rating criteria and credit tends to replace it in those circumstances. He stated his belief that it would be an overall benefit to consumers in Alaska to pass this legislation. It would make Alaska more competitive and attract more insurance companies to the state.

[2:20:17 PM](#)

SENATOR MICCICHE said his concern is for those consumers that find the process somewhat of a mystery and don't realize that there is a correlation between their credit scores and ranking.

CHAIR DUNLEAVY asked Mr. Kolb if the administration had a position on the bill.

MR. KOLB offered his belief that the bill would be beneficial to consumers in Alaska and offer opportunities for insurance companies to be more competitive in their pricing, because credit scores or the use of an insurance score does have a statistical correlation to future risk.

CHAIR DUNLEAVY closed public testimony and solicited a motion.

[2:22:01 PM](#)

SENATOR MICCICHE moved to report SB 55, 28-LS0404\N, from committee with individual recommendations and attached zero fiscal note(s).

[2:22:30 PM](#)

SENATOR ELLIS stated that a number of his constituents have had problems with credit ratings, credit scores, and inaccurate information, so he wasn't a big supporter of the bill. However, he would not object to moving the bill from committee.

CHAIR DUNLEAVY found no further comments or objection and announced that SB 55 moved from the Senate Labor and Commerce Standing Committee.

[2:22:59 PM](#)

At ease

SB 52-PORTABLE ELECTRONICS INSURANCE

[2:25:00 PM](#)

CHAIR DUNLEAVY reconvened the meeting and announced the consideration of SB 52. "An Act providing that portable electronics insurance is not a service contract; providing that a portable electronics manufacturer's warranty or extended warranty is not regulated as insurance; relating to portable electronics insurance; authorizing the director of insurance to issue a limited producer license to a portable electronics vendor for the sale of portable electronics insurance; and relating to authorization and training of employees and representatives of a vendor to transact portable electronics insurance; and providing for an effective date." [CSSB 52, labeled 28-LS0461\N, was before the committee.] This was the second hearing.

[2:25:16 PM](#)

KARI NORE, Intern, Senator John Coghill, sponsor of SB 52, recapped for the committee that SB 52 seeks to bring regulation to the booming portable electronics industry, and was requested by companies that sell these portable electronics. She noted that there were three amendments for the committee to consider.

[2:26:27 PM](#)

At ease

[2:26:53 PM](#)

CHAIR DUNLEAVY reconvened the meeting and recognized Ms. Moss.

[2:27:05 PM](#)

RYNNIEVA MOSS, Staff, Senator John Coghill, sponsor of SB 52, explained that the proposed amendments were prepared after discussions with legislative attorneys and representatives of the electronics companies. The sponsor wants to clarify in statute that consumers have three options to protect portable electronics: a service contract, a warranty, or portable electronics insurance. She noted that Senator Micciche agreed to carry the amendments and Ms. Nore would explain them.

[2:28:08 PM](#)

MATTHEW NOWELS, Attorney, Blank & Meenan, P.A., representing Assuring, a primary provider of this produce nationwide offered to answer questions.

CHAIR DUNLEAVY found no questions and closed public testimony.

[2:28:48 PM](#)

SENATOR MICCICHE moved Amendment 1, labeled 28-LS0461\N.2.

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR COGHILL
TO: CSSB 52(), Draft Version "N"

Page 6, line 9, following "AS 21.36.515
Insert "and"

Page 6, lines 9-16:
Delete all material.

Page 6, line 17:
Delete "(iv)"
Insert "(iii)"

SENATOR STEDMAN objected for discussion purposes.

MS. NORE explained the purpose of the amendment is to remove sub-subparagraph (iii). The director of the Division of Insurance initially requested this provision because he felt there was a possibility that enforcement would be difficult because there was no registry. It was later determined that the division has the authority without this provision.

MS. MOSS added that both the industry and the Division of Insurance agreed this was not needed.

SENATOR STEDMAN removed his objection.

[2:30:03 PM](#)

At ease

[2:30:13 PM](#)

CHAIR DUNLEAVY found no further objection and announced that Amendment 1 was adopted.

[2:30:32 PM](#)

SENATOR MICCICHE moved Amendment 2, labeled 28-LS0461\N.3.

AMENDMENT 2

OFFERED IN THE SENATE BY SENATOR COGHILL
TO: CSSB 52(), Draft Version "N"

Page 2, line 9:
Delete "damaged by power surges"

SENATOR STEDMAN objected for discussion purposes.

MS. NORE explained that this amendment came at the request of Apple Electronics. It broadens the language under service contracts, which now is restricted to damages done by power surges, not accidental damage. She noted that the sponsor believes this potentially is a drafting error in the original statutes.

MS. MOSS added that legislative legal agrees that this phrase probably was a drafting error when the statute was adopted originally.

SENATOR STEDMAN removed his objection.

CHAIR DUNLEAVY found no further objection and announced that Amendment 2 was adopted.

[2:31:50 PM](#)

SENATOR MICCICHE moved Amendment 3, labeled 28-LS0461\N.4.

AMENDMENT 3

OFFERED IN THE SENATE BY SENATOR COGHILL
TO: CSSB 52(), Draft Version "N"

Page 2, line 2, following "property,"

Insert "including portable electronics,"

Page 2, line 7, following "property":

Insert ", including portable electronics,"

SENATOR STEDMAN objected for discussion purposes.

MS. NORE explained that this amendment allows portable electronics to be considered as tangible personal property and be included under service contracts.

MS. MOSS noted that legislative legal didn't think this was necessary, but the industry wanted it perfectly clear that it continues to have the ability to offer service contracts.

SENATOR STEDMAN removed his objection.

CHAIR DUNLEAVY found no further objection and announced that Amendment 3 was adopted.

[2:33:05 PM](#)

SENATOR MICCICHE moved to report SB 52, 28-LS0461\N as amended, from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY announced that without objection CSSB 52(L&C) moved from the Senate Labor and Commerce Standing Committee.

[2:33:37 PM](#)

There being no further business to come before the committee, Chair Dunleavy adjourned the Senate Labor and Commerce Standing Committee meeting at 2:33 p.m.