

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 4, 2013

5:26 p.m.

MEMBERS PRESENT

Senator Mike Dunleavy, Chair
Senator Peter Micciche, Vice Chair
Senator Donald Olson

MEMBERS ABSENT

Senator Bert Stedman
Senator Johnny Ellis

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

Board of Marine Pilots

Hans Antonsen - Ketchikan

- CONFIRMATION ADVANCED

Board of Pharmacy

Taryl Giessel - Eagle River

- CONFIRMATION ADVANCED

Alaska Workers' Compensation Board

Ronald Nalikak - Anchorage

- CONFIRMATION ADVANCED

SENATE BILL NO. 93

"An Act extending the unemployment contributions for the Alaska technical and vocational education program."

- MOVED SB 93 OUT OF COMMITTEE

SENATE BILL NO. 25

"An Act relating to electronic filing of certain information with the Department of Labor and Workforce Development; relating to surcharges, rate increase reduction, prohibition on the relief of certain charges, the unemployment trust fund account, and the offset of certain unemployment compensation debt under

the Alaska Employment Security Act; relating to the definition of 'covered unemployment compensation debt' in the Alaska Employment Security Act; and providing for an effective date."

- MOVED SB 25 OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 71(FIN)

"An Act requiring the Department of Commerce, Community, and Economic Development to file an annual report to the legislature regarding statewide and regional economic development projects and regional development organizations; extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 58

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

- HEARD & HELD

SENATE BILL NO. 61

"An Act relating to the board, loans, records, and lobbying contracts of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

- BILL HEARING CANCELED

SENATE BILL NO. 79

"An Act establishing the Sport Fishing Guide Services Board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters; making conforming amendments; allowing the Department of Fish and Game to collect information on guiding services; providing for an effective date by repealing the effective date of sec. 32, ch. 58, SLA 2010; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: SB 93

SHORT TITLE: TECHNICAL/VOCATIONAL EDUCATION PROGRAM

SPONSOR(s): SENATOR(s) OLSON

03/29/13 (S) READ THE FIRST TIME - REFERRALS
03/29/13 (S) L&C
04/04/13 (S) L&C AT 5:00 PM BELTZ 105 (TSBldg)

BILL: SB 25

SHORT TITLE: UNEMPLOYMENT; ELEC. FILING OF LABOR INFO
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/13 (S) READ THE FIRST TIME - REFERRALS
01/18/13 (S) L&C, FIN
04/02/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/02/13 (S) -- MEETING CANCELED --
04/03/13 (S) L&C AT 5:00 PM BELTZ 105 (TSBldg)
04/03/13 (S) Heard & Held
04/03/13 (S) MINUTE(L&C)
04/04/13 (S) L&C AT 5:00 PM BELTZ 105 (TSBldg)

BILL: HB 71

SHORT TITLE: AK REGIONAL ECONOMIC ASSISTANCE PROGRAM
SPONSOR(s): HUGHES

01/16/13 (H) READ THE FIRST TIME - REFERRALS
01/16/13 (H) L&C, FIN
02/18/13 (H) L&C AT 3:15 PM BARNES 124
02/18/13 (H) Heard & Held
02/18/13 (H) MINUTE(L&C)
03/04/13 (H) L&C AT 3:15 PM CAPITOL 106
03/04/13 (H) MILITARY TRAINING CREDIT/TEMP. LICENSE
03/05/13 (H) L&C AT 8:00 AM BARNES 124
03/05/13 (H) -- Meeting Continued from 3/4/13 --
03/07/13 (H) L&C RPT CS(L&C) 1DP 5NR
03/07/13 (H) DP: JOSEPHSON
03/07/13 (H) NR: MILLETT, REINBOLD, HERRON,
CHENAULT, OLSON
03/18/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/18/13 (H) Moved CSHB 71(FIN) Out of Committee
03/18/13 (H) MINUTE(FIN)
03/20/13 (H) FIN RPT CS(FIN) NT 10DP 1AM
03/20/13 (H) DP: T.WILSON, EDGMON, THOMPSON, NEUMAN,
MUNOZ, HOLMES, COSTELLO, GARA, STOLTZE,
AUSTERMAN
03/20/13 (H) AM: KAWASAKI
03/27/13 (H) TRANSMITTED TO (S)
03/27/13 (H) VERSION: CSHB 71(FIN)
03/28/13 (S) READ THE FIRST TIME - REFERRALS

03/28/13 (S) L&C, FIN
04/04/13 (S) L&C AT 5:00 PM BELTZ 105 (TSBldg)

BILL: SB 58

SHORT TITLE: CANCEL INS. ON CERTAIN ABANDONED PROPERTY

SPONSOR(s): EGAN

02/15/13 (S) READ THE FIRST TIME - REFERRALS
02/15/13 (S) L&C
04/04/13 (S) L&C AT 5:00 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

HANS ANTONSEN, Appointee
Board of Marine Pilots
Ketchikan, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Marine Pilots.

DAVID SCOTT, Staff
Senator Donny Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 93 on behalf of the sponsor.

FRED VILLA, Associate Vice President
Academic Affairs
Office of Workforce Programs
University of Alaska
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 93.

BRYNN KEITH, Acting Deputy Commissioner
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Provided information related to SB 25.

PAUL DICK, Director
Division of Employment Security
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Provided information related to SB 25.

CATHIE ROEMMICH, CEO
Juneau Chamber of Commerce
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 25.

REPRESENTATIVE SHELLY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 71.

MERRILL SANFORD, Mayor
City and Borough of Juneau and
Board of Directors
Southeast Conference
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 71.

BRYANT HAMMOND, Director
Community Planning and Development
Bering Straits Development Council (BSDC)
Nome, Alaska

POSITION STATEMENT: Testified in support of HB 71.

DENISE BRAND, Grant Writer-Coordinator
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 71.

BILL POPP, President and CEO
Anchorage Economic Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 71.

LORENE PALMER, Director
Division of Economic Development
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 71 on behalf of DCCED.

MARILYN HEDDELL, Director
Prince William Sound Economic Development District
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 71.

SENATOR DENNIS EGAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 58.

DANA OWEN, Staff

Senator Dennis Egan
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information related to SB 58 on behalf of the sponsor.

MARTIN HESTER, Deputy Director
Division of Insurance
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Provided information related to SB 58

SHELDON WINTERS, Lobbyist
State Farm Insurance
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 58.

ACTION NARRATIVE

[5:26:41 PM](#)

CHAIR MIKE DUNLEAVY called the Senate Labor and Commerce Standing Committee meeting to order at 5:26 p.m. Present at the call to order were Senators Olson, Micciche, and Chair Dunleavy.

CONFIRMATION HEARINGS

[5:27:39 PM](#)

CHAIR DUNLEAVY announced the first order of business would be confirmation hearings. He read the following names:

Board of Marine Pilots

Hans Antonsen - Ketchikan

Board of Pharmacy

Taryl Giessel - Eagle River

Alaska Workers' Compensation Board

Ronald Nalikak - Anchorage

[5:28:35 PM](#)

HANS ANTONSEN, appointee, Board of Marine Pilots, introduced himself.

SENATOR OLSON asked how long he had been a marine pilot.

MR. ANTONSEN replied he'd been a marine pilot in Southeast Alaska for nearly 25 years.

SENATOR OLSON asked what he would bring to the board.

MR. ANTONSEN stated that he had attended most of the board meetings for the past 20 plus years so he was familiar with the issues and the way the board operates. He expressed confidence that would be a competent, reliable, and productive board member.

CHAIR DUNLEAVY noted that neither Ms. Giessel nor Mr. Nalikak were on-line. He closed public testimony and solicited a motion.

[5:29:57 PM](#)

SENATOR MICCICHE moved to forward the names presented to the committee to the full body for consideration with the understanding that it does not reflect intent by any members to vote for or against the confirmation of the individuals.

CHAIR DUNLEAVY announced that without objection, the aforementioned names would be forwarded to the full body for consideration.

[5:30:18 PM](#)

At ease

SB 93-TECHNICAL/VOCATIONAL EDUCATION PROGRAM

[5:31:23 PM](#)

CHAIR DUNLEAVY reconvened the meeting and announced the consideration of SB 93, sponsored by Senator Donny Olson. "An Act extending the unemployment contributions for the Alaska technical and vocational education program."

[5:31:38 PM](#)

DAVID SCOTT, Staff, Senator Donny Olson, introduced SB 93 on behalf of the sponsor. He spoke to the following sponsor statement: [Original punctuation provided.]

The Technical and Vocational Education Fund authorized under AS 23.15.840 sunsets on June 30, 2014. Senate Bill 93 extends the sunset date to June 30, 2024.

In 2000 the Alaska Legislature created the Training and Vocational Education Program to provide financial assistance to support facilities throughout the state that provide technical and educational programs for industry specific training.

Alaska was experiencing unemployment rates that were reaching to above 50% of the national average in 2008. With large projects on the horizon, there was a clear need for a trained, resident work force. The TVEP program was extended to provide training to Alaskan residents to help reduce the unemployment rate and put Alaskan residents to work. Figures released on March 14, 2013 by the Department of Labor indicated that unemployment rates in Alaska for December of 2012 were 6.6%, while the national average was 8.1%. Alaska has had a consistent lower rate than the national average for the past forty-six months, indicating the effectiveness of this program.

Funds for the TVEP program are appropriated from amounts the state collects in unemployment insurance contributions at a rate of .15 percent and are allocated according to statute.

The more we can train our youth, as they enter the work force, the more we will re-enforce the desirability of staying in Alaska as part of a highly skilled, resident work force. The last five years has shown this fund works. We can double the effectiveness with ten more years.

MR. SCOTT stated that by statute each of the ten entities in the program is required to submit an annual report to the legislature. He noted that the Department of Labor and Workforce Development (DOLWD) and the University of Alaska each submitted fiscal notes.

SENATOR MICCICHE said he only had one fiscal note.

[5:33:34 PM](#)

At ease

[5:34:18 PM](#)

CHAIR DUNLEAVY reconvened the meeting and recognized Fred Villa.

[5:34:29 PM](#)

FRED VILLA, Associate Vice President, Academic Affairs, Office of Workforce Programs, University of Alaska (UA), testified in support of SB 93. He thanked the committee for hearing the legislation and Senator Olson for sponsoring it, because it is a critical part of the university's career and technical education

programs. He reported that the University of Alaska has over 200 workforce development programs and it uses TVEP funding for startup, for bridging from federal or other programmatic funds, and for sustainable funding. He explained that the university's role in workforce development is threefold: pre-college programs to connect youth with career pathways and help prepare them for academic rigors, academic certificates and degree programs, and professional development programs. The priorities in workforce development are economic and community development, career pathways that provide a series of connected education and training programs, and high demand jobs.

MR. VILLA explained that TVEP funding has been critical in helping UA meet Alaska's workforce training and educational needs. The Workforce Programs Office works with representatives from the UA campuses, the Department of Labor and the Alaska Workforce Investment Board to identify state priority industry sectors and high-demand jobs, including regional priorities for occupational training programs. The campuses submit proposals based on the identified needs, and funding is distributed to the highest priority programs. He described specific pre-college and professional development programs.

CHAIR DUNLEAVY noted that Greg Cashen with the Department of Labor and Workforce Development (DOLWD) was available to answer questions on the bill.

[5:40:21 PM](#)

SENATOR MICCICHE summarized that the bill extends for ten years an extremely successful program. He stated support for the bill.

[5:41:04 PM](#)

At ease

SENATOR MICCICHE moved to report SB 93, labeled 28-LS0728\A, from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY announced that without objection SB 93 moved from the Senate Labor and Commerce Standing Committee.

[5:41:58 PM](#)

At ease

SB 25-UNEMPLOYMENT; ELEC. FILING OF LABOR INFO

[5:43:47 PM](#)

CHAIR DUNLEAVY announced the consideration of SB 25. "An Act relating to electronic filing of certain information with the Department of Labor and Workforce Development; relating to surcharges, rate increase reduction, prohibition on the relief of certain charges, the unemployment trust fund account, and the offset of certain unemployment compensation debt under the Alaska Employment Security Act; relating to the definition of 'covered unemployment compensation debt' in the Alaska Employment Security Act; and providing for an effective date." He noted that this was the second hearing.

[5:44:29 PM](#)

BRYNN KEITH, Acting Deputy Commissioner, Department of Labor and Workforce Development (DOLWD) introduced herself.

PAUL DICK, Director, Division of Employment Security, Department of Labor and Workforce Development (DOLWD) introduced himself.

[5:45:03 PM](#)

SENATOR OLSON asked what provisions are being made with regard to electronic filing for those employers and employees in rural areas that don't have Internet access.

MR. DICK explained that in rural areas, claimants for unemployment insurance and employers would have the option of paper or telephonic filing in addition to the Internet.

SENATOR MICCICHE asked if the bill allowed the unemployment insurance tax rate to fluctuate .3 percent from year to year.

MR. DICK described the two components to calculate the final tax rate. One measures the benefits versus wages over the past three years. The other is called the trust fund solvency adjustment and it has a limitation of .3 percent. The base tax and surcharge together equal the final tax rate.

SENATOR MICCICHE asked if the increase/decrease percentage was a combination of the two.

MR. DICK said yes.

SENATOR MICCICHE asked Ms. Keith and Mr. Dick if they could alleviate the concerns about the future solvency of a fund that to date has been healthy and intact.

[5:48:27 PM](#)

MS. KEITH explained that the bill provides the commissioner of labor limited discretion under very controlled circumstances to suspend part or all of the tax increase from year to year. She offered her belief that, given those limitations, the health of the Alaska Unemployment Insurance Trust Fund was not in jeopardy. She described this as a "tweak around the margins" to help the trust fund work a little better and circulate a bit more money through the economy.

SENATOR MICCICHE inquired if it represents 100 percent of the benefits of covered unemployment compensation debt.

MR. DICK restated that this legislation allows the commissioner to suspend the increase component in the tax rate under certain circumstances.

SENATOR MICCICHE asked what "100 percent funding of the fund" represents.

MR. DICK stated that SB 25 doesn't change the formula. It looks at solvency at the targeted rate of 3-3.3 percent of wages.

SENATOR MICCICHE summarized that the 100 percent rate is 3 percent of the worst case benefits of those represented by the fund.

MR. DICK clarified that the target rate is 3-3.3 percent.

SENATOR MICCICHE asked if the fund has historically been funded at 3-3.3 percent.

MR. DICK replied it has varied through the years. In some years there have been adjustment credits to the Trust Fund Solvency Adjustment and other years there are adjustment debits. This year the rate was 2.2 percent so there was a .8 trust fund solvency adjustment to get to the 3 percent target.

SENATOR MICCICHE inquired if it was sometimes a struggle to maintain 3 percent. He asked, for example, if the fund was adequately maintained in the late 1980s.

MR. DICK acknowledged that the trust fund decreased severely in the mid-1980s, but once the economy turned around the fund gradually recovered to its current level.

[5:52:51 PM](#)

CATHIE ROEMMICH, CEO, Juneau Chamber of Commerce, read the following letter to Governor Parnell into the record:

Thank you for all your efforts to keep our state strong by working for small business growth. It's not often these days that we find ways to lower the cost on anything so we applaud you for bringing forward the solvency of Alaska's Unemployment Trust Fund Account.

The Juneau chamber of Commerce represents nearly 400 business members and their employees. It is our job to promote and support a positive business climate not only in Juneau but throughout the state. Our members support legislation that updates and clarifies laws as they relate to doing business in an effort to improve Alaska's business environment. Therefore we would like to add our support to SB 25.

We are pleased that this legislation will insure that business owners as well as Alaskan workers are not paying more to state government in unemployment insurance taxes than necessary.

The Juneau Chamber also understands the importance of compliance with the federal unemployment insurance laws. Maintaining the significant Federal Unemployment Tax Act credit that our employers currently receive is another critical piece of responsible taxation. The federal compliance components of SB 25 ensure that Alaska businesses will not be sending any more money to Washington DC than necessary for the unemployment insurance program.

We are also supportive of the greater efficiencies that the Department of Labor will be able to provide by allowing electronic filing of unemployment claims.

[5:54:59 PM](#)

CHAIR DUNLEAVY closed public testimony. Finding no questions or discussion, he asked for a motion.

[5:55:09 PM](#)

SENATOR MICCICHE moved to report SB 25, labeled 28-GS1494\A, from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY announced that without objection, SB 25 moved from the Senate Labor and Commerce Standing Committee.

[5:55:27 PM](#)

At ease

HB 71-AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

[5:56:58 PM](#)

CHAIR DUNLEAVY announced the consideration of HB 71. "An Act requiring the Department of Commerce, Community, and Economic Development to file an annual report to the legislature regarding statewide and regional economic development projects and regional development organizations; extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

[5:57:32 PM](#)

REPRESENTATIVE SHELLY HUGHES, sponsor of HB 71, explained that there are 12 Alaska Regional Development Organizations (ARDOR) across the state. The program will expire June 30, 2013, and HB 71 extends the expiration date to July 1, 2016. The bill also requires the Department of Commerce, Community and Economic Development (DCCED) to prepare an annual report to the legislature as a means of improving accountability of the ARDORs. The report will include information about how each ARDOR is using state funds to improve the economic health of the particular region, about statewide and regional projects and activities of the ARDORs, and individual information about finances, work plans, strategies, and projects.

She explained that ARDORs serve as the state's contribution to economic development in the urban and rural areas throughout the state. ARDORs are based on the premise that the best strategy for regional economic development is a locally driven initiative using local leaders who know the regional conditions, challenges, and opportunities. They are best suited to work in partnerships with the state and other entities. She opined that this was an effective model where local businesses can pool resources across multiple communities to work on the projects, develop partnerships, and provide needed technical assistance.

[5:59:38 PM](#)

SENATOR OLSON asked how these organizations are measured to ensure that the state's money is being spent for worthwhile endeavors.

REPRESENTATIVE HUGHES explained that the individual ARDORS provide reports to DCCED and as they apply for grants each year they are expected to provide certain plans and meet certain criteria. To alleviate concerns about the success of the program she requested an audit through the Legislative Budget and Audit Committee. That is one reason that the extension is for three years as opposed to five years. The audit and the new, required reports to the legislature will improve accountability of the individual ARDORS. She acknowledged that some could use improvement.

SENATOR OLSON asked about the penalties for nonperformance.

REPRESENTATIVE HUGHES replied the ARDOR could be denied a subsequent grant, but she was unaware of any other penalties.

SENATOR OLSON commended the sponsor for requesting the audit.

6:02:06 PM

LORENE PALMER, Director, Division of Economic Development, Department of Commerce, Community and Economic Development (DCCED) introduced herself and Nicole Grewe, the manager of the ARDOR program. She stated that the DCCED supports the reauthorization of the ARDOR program and believes that the model using local leaders continues to be sound. However, refinements are needed. She said ARDORS are a vital extension of DCCED, and the department relies on them to report on the strengths and challenges in their region. That information helps DCCED form programs, initiatives, and policies to assist the individual ARDORS. DCCED funnels programs through the ARDORS to help local businesses with technical assistance, marketing assistance, and loan programs all of which help economic development efforts. She highlighted that DCCED has worked hard to help each ARDOR to be successful, but each performs differently because each region is vastly different. She reiterated support for the legislation.

6:04:30 PM

MERRILL SANFORD, Mayor, City and Borough of Juneau stated that he was a board member of Southeast Conference (SEC), the ARDOR for all of Southeast Alaska. This ARDOR communicates with more than 30 communities from Yakutat to Metlakatla and receives up to \$65,000 per year for the program. This ARDOR has been very successful in its efforts to further economic development over the region. One of the larger projects has been the Ketchikan dry dock, which should bring needed jobs to that community. SEC has also worked to bring back timber industry jobs and to develop mariculture potential. He emphasized that SEC brings

large and small communities together to further economic development.

CHAIR DUNLEAVY noted that public testimony was open.

[6:08:08 PM](#)

BRYANT HAMMOND, Director, Community Planning and Development, Kawerak Inc., said he was speaking on behalf of the Bering Straits Development Council (BSDC), the ARDOR for the Bering Straits region. He explained that BSDC serves 16 communities and 20 federally recognized tribes and provides economic development, community planning, and small business assistance to the region.

He described the specific duties of the energy development specialist, the business planning specialist, the e-commerce technician, the grant writing specialist, and the planning and development specialist for the BSDC ARDOR. He noted that much the ARDOR funding goes toward the latter position. Some of the local projects are Lemonade Day Alaska, a strategic energy plan, tax assistance services in each community, and a sustainable teen center in Savoonga based on locally generated revenue streams. He concluded that the ARDOR program is vital in the Bering Straits region.

[6:11:51 PM](#)

DENISE BRAND, Grants Writer-Coordinator, Fairbanks North Star Borough, testified in support of HB 71. She said being an ARDOR has been very valuable for the community. The local commission meets monthly to address critical economic issues such as the cost of energy, maintaining military presence in the Interior, and sustainable agriculture projects. Through its ARDOR, the Fairbanks North Star Borough has been able to update its comprehensive economic development strategy, initiate geothermal exploration, and complete the biomass cluster project. She reiterated support for reauthorizing the ARDOR program.

[6:13:25 PM](#)

BILL POPP, President and CEO, Anchorage Economic Development Corporation (AEDC), testified in support of HB 71. He said that the ARDOR program is an important component of the AEDC budget. The funds are used for business retention and expansion and to attract national and international investment opportunities throughout Southcentral and the Interior. He said this program is also an important part of the efforts to promote entrepreneurship within the community of Anchorage and the Southcentral region. An important aspect of the program is to

provide core seed funding to the ARDORS serving the rural regions. They can use that to attract other funding to leverage the difficult effort of economic and community development in many of the communities that they serve. He reiterated support for HB 71.

[6:15:28 PM](#)

MARILYN HEDDELL, Director, Prince William Sound Economic Development District, voiced support for the ARDOR program. It has sponsored many projects in the region including harbor improvements, a new cold storage plant in Valdez, new tsunami sirens, and educational and cultural programs throughout the region. These grant funds are crucial to the way of life in Prince William Sound.

[6:16:32 PM](#)

CHAIR DUNLEAVY closed public testimony.

SENATOR MICCICHE disclosed that he was a former board member of the Kenai Peninsula Economic Development District and a supporter of the ARDOR program.

CHAIR DUNLEAVY stated he would hold HB 71 in committee and take action on it on Saturday, barring any problems.

[6:17:18 PM](#)

At ease

SB 58-CANCEL INS. ON CERTAIN ABANDONED PROPERTY

VICE-CHAIR MICCICHE reconvened the meeting and announced the consideration of SB 58. "An Act allowing an insurer to cancel an insurance policy if property becomes entirely abandoned and the abandonment increases the hazard insured against."

[6:19:30 PM](#)

SENATOR DENNIS EGAN, sponsor of SB 58, introduced SB 58 speaking to the following sponsor statement:

SB 58 clarifies that insurance can be cancelled when a property owner abandons the property, thereby increasing a hazard covered by the insurance.

AS 21.36.210 lists allowable reasons for cancelling personal insurance, including a grossly negligent act by the insured that increases a covered hazard and physical changes in the insured property that result

in the property becoming uninsurable. As this statute is currently written, it is not clear whether these reasons would include abandonment of the property by the insured.

Homeowners insurance is underwritten based on the property generally being occupied. An abandoned home greatly increases the risk of damage beyond what was contemplated in the insurance contract, including damage caused by vandalism, broken water pipes and fire. Cancellation of insurance when the property is abandoned is necessary to manage insurance costs for all consumers.

SB 58 clarifies that insurance on property that has been entirely abandoned can be cancelled in Alaska, as it can in all other states. However, it is important to note that SB 58 would establish the most restrictive circumstances in the country. For instance, thirty days advance written notice must be given to the insured and any lender on record. In addition, insurance cannot be cancelled where the owner demonstrates that the property is being reasonably maintained and monitored. SB 58 is responsible legislation that helps manage claims costs, the risk pool and the cost of insurance coverage for Alaska homeowners.

SENATOR EGAN said representatives of the insurance and real estate industries have worked on this version of the bill, and he believes that the current language protects the interests of both groups.

SENATOR OLSON asked if property owners had weighed in on the bill because it appeared to favor the insurance industry.

[6:21:16 PM](#)

DANA OWEN, Staff, Senator Dennis Egan, explained that when the bill was originally introduced last year members of the community and the real estate industry voiced concern with the language. Since then the sponsor has worked with real estate agents to make sure that the interests of property owners are protected. The current language will allow insurance companies to exercise the authority to cancel an insurance contract, but not precipitously. Property owners who leave their homes for several months won't have their insurance canceled.

SENATOR OLSON posed a hypothetical situation where he left his boat after it went aground. He asked if his insurance would be cancelled if the boat looked abandoned and perhaps was vandalized while he was away.

MR. OWEN explained that it would have to be entirely abandoned under the new language. That means that nothing of substantial value is left behind.

SENATOR OLSON questioned how he could protect himself, because he'd have nothing left if the insurance company could cancel his insurance after an involuntary circumstance like he described.

MR. OWEN offered his understanding is that the property would be protected in that scenario.

SENATOR OLSON asked if his insurance could be cancelled even if his payments were up to date.

MR. OWEN said the intention is that as long as a person intends to maintain the property the insurance will not be cancelled.

[6:25:25 PM](#)

VICE-CHAIR MICCICHE reviewed the notice provision in AS 21.36.220.

[6:26:05 PM](#)

MARTIN HESTER, Deputy Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), introduced himself.

VICE-CHAIR MICCICHE asked him to discuss what constitutes abandonment.

MR. HESTER explained that AS 21.36.220 provides 30 day, 20 day, and 10 day notice requirements for cancellation depending on the circumstances.

VICE-CHAIR MICCICHE opened public testimony.

[6:27:37 PM](#)

SHELDON WINTERS, Lobbyist, State Farm Insurance, Juneau, Alaska, informed the committee that State Farm is the largest insurer of homes in both the state and the nation. He explained that the intent of SB 58 is to clarify that personal insurance on a property may be cancelled in those limited circumstances when a property is truly and entirely abandoned. Foreclosure is the

classic example. Although the current statute has five reasons that insurance may be cancelled, the Division of Insurance has said that under a technical and strict interpretation those don't allow for abandoned property. Alaska is unique in this regard. In no other state has State Farm had problems cancelling insurance when the property is truly abandoned.

MR. WINTERS said this is important because claims drive rates. When a property is left in the middle of the winter with no heat and nobody taking care of it, the exposure is significant. That increases claims and puts upward pressure on rates for everyone in the risk pool. The goal with SB 58 is to keep claim costs down, manage the risk pool, and hopefully have a better product for everyone. Referencing the hypothetical that Senator Olson described, he said the bill doesn't apply to that situation. It's not talking about the insurance company trying to cancel the policy after an accident or a claim. The bill doesn't address cancelation after there's been a claim.

MR. WINTERS reviewed the proposed new provision to the statute. It says the insurer may not cancel a policy of personal insurance except for the circumstance of entire abandonment of the property that increases a hazard insured against. Entire abandonment means the property is no longer occupied by the insured as defined by the policy and it no longer has contents of substantial utility. In addition to the current notice of cancellation provisions in AS 21.36.220, the bill requires the insurer to give notice to the lender. Another safeguard to the insured is that the property is not considered entirely abandoned if the insured or their agent demonstrates that the property is being reasonably maintained and monitored. Finally, the Division of Insurance oversees the statute. With the protections provided, it's difficult to imagine a situation where property would be cancelled other than the total abandonment/foreclosure situation. He reviewed the work that has gone into this legislation, which he believes it is the best statute in the country.

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VICE-CHAIR MICCICHE announced he would hold SB 58 in committee and keep public testimony open.

[6:38:01 PM](#)

There being no further business to come before the committee, Vice-Chair Micciche adjourned the Senate Labor and Commerce Standing Committee meeting at 6:38 p.m.