

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 6, 2013

9:01 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Johnny Ellis

COMMITTEE CALENDAR

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."

- MOVED CSHB 71(FIN) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 175(L&C)

"An Act allowing, under certain conditions, a property or casualty insurer to provide policies and endorsements to an insured by posting the policies and endorsements on the insurer's Internet website."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 168(L&C)

"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."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 71

SHORT TITLE: AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

SPONSOR(S): REPRESENTATIVE(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,
03/20/13 (H) 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)
04/04/13 (S) Heard & Held
04/04/13 (S) MINUTE(L&C)
04/06/13 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

BILL: HB 175

SHORT TITLE: ELECTRONIC POSTING OF INSURANCE POLICIES

SPONSOR(S): LABOR & COMMERCE

03/18/13 (H) READ THE FIRST TIME - REFERRALS
03/18/13 (H) L&C
03/27/13 (H) L&C AT 3:15 PM BARNES 124
03/27/13 (H) Moved CSHB 175(L&C) Out of Committee
03/27/13 (H) MINUTE(L&C)
03/28/13 (H) L&C RPT CS(L&C) 4DP 3NR
03/28/13 (H) DP: SADDLER, MILLETT, JOSEPHSON, OLSON
03/28/13 (H) NR: CHENAULT, HERRON, REINBOLD

04/03/13 (H) TRANSMITTED TO (S)
04/03/13 (H) VERSION: CSHB 175(L&C)
04/04/13 (S) READ THE FIRST TIME - REFERRALS
04/04/13 (S) L&C
04/06/13 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

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
03/25/13 (H) Moved CSHB 168(L&C) Out of Committee
03/25/13 (H) MINUTE(L&C)
03/26/13 (H) L&C RPT CS(L&C) 4DP 2NR
03/26/13 (H) DP: REINBOLD, SADDLER, JOSEPHSON, OLSON
03/26/13 (H) NR: CHENAULT, HERRON
04/04/13 (H) TRANSMITTED TO (S)
04/04/13 (H) VERSION: CSHB 168(L&C)
04/05/13 (S) READ THE FIRST TIME - REFERRALS
04/05/13 (S) L&C
04/06/13 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

REPRESENTATIVE SHELLY HUGHES

Alaska State Legislature

Juneau, AK

POSITION STATEMENT: Sponsor of HB 71.

KONRAD JACKSON, Staff

Representative Kurt Olson

Alaska State Legislature

Juneau, AK

POSITION STATEMENT: Introduced HB 175 on behalf of the sponsor.

MARTIN HESTER, Deputy Director

Division of Insurance

Department of Commerce, Community and Economic Development

Juneau, AK

POSITION STATEMENT: Answered questions related to HB 168 and HB 175 and testified that DCCED did not object to either bill.

ANNA LATHAM, Staff

Representative Kurt Olson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 168 on behalf of the sponsor.

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

POSITION STATEMENT: Testified in support of HB 168.

ACTION NARRATIVE

[9:01:43 AM](#)

CHAIR MIKE DUNLEAVY called the Senate Labor and Commerce Standing Committee meeting to order at 9:01 a.m. Present at the call to order were Senators Stedman, Olson, Micciche, and Chair Dunleavy.

HB 71-AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

[9:02:06 AM](#)

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." He noted that this was the second hearing. [CSHB 71(FIN) was before the committee.]

[9:02:45 AM](#)

REPRESENTATIVE SHELLY HUGHES, sponsor of HB 71, noted that she presented the bill yesterday and asked if the committee wanted her to review what she stated previously.

SENATOR STEDMAN suggested the sponsor provide a description of the bill for the listening public.

REPRESENTATIVE HUGHES explained that the Alaska Regional Economic Assistance (ARDOR) program expires June 30, 2013 and the bill extends it to July 1, 2016. The bill also adds a new feature that requires the Department of Commerce, Community and Economic Development (DCCED) to submit an annual report to the legislature. The purpose of the report is to improve the accountability of the 12 ARDOR organizations, and ensure that state funds are properly used. DCCED will report on both statewide and regional projects as well as the financial

information and strategies of the individual ARDORs. She explained that the ARDORs were developed on the premise that local initiatives with local leadership are best to understand regional conditions, challenges and opportunities of the region.

SENATOR STEDMAN asked for a discussion of the political boundary between ARDORS, which are substantially funded by the state, and political advocacy on statewide issues.

REPRESENTATIVE HUGHES explained that each ARDOR has a nonpartisan board and community leaders are represented. She wasn't aware of any problem associated with the structure.

SENATOR STEDMAN asked her to follow up on the separation, because one ARDOR is interested in addressing political matters on a statewide level. He said he wasn't comfortable with a subsidiary of a state agency being a political advocate. He added that he would also have a discussion with the finance chair.

REPRESENTATIVE HUGHES said that in addition to the added accountability reporting, Legislative Budget and Audit (LB&A) was authorized to conduct the first ever audit of the ARDOR program. The agency would look at that sort of thing. She agreed that public funds should not be used for political advocacy.

[9:08:25 AM](#)

CHAIR DUNLEAVY closed public testimony.

SENATOR MICCICHE said he had extensive experience with the ARDOR program and he supported the concept.

CHAIR DUNLEAVY solicited a motion.

[9:09:20 AM](#)

SENATOR MICCICHE moved to report CSHB 71, 28-LS0288\C, from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY announced that without objection, CSHB 71(L&C) moved from the Senate Labor and Commerce Standing Committee.

[9:09:44 AM](#)

At ease

HB 175-ELECTRONIC POSTING OF INSURANCE POLICIES

[9:11:15 AM](#)

CHAIR DUNLEAVY announced the consideration of HB 175. "An Act allowing, under certain conditions, a property or casualty insurer to provide policies and endorsements to an insured by posting the policies and endorsements on the insurer's Internet website." He noted that CSHB 175(L&C) was before the committee and that this was the first hearing.

[9:11:50 AM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, explained that HB 175 would permit insurers to post standard property and casualty insurance policies and endorsements on the insurer's website. Current law in all 50 states requires companies to mail or deliver policies to their customers. These on-line documents would contain no personally identifiable information. Consumers would have easy access to those documents which would make it easy to shop for coverage or file a claim. A change from the original version clarifies that paper contracts will continue to be available without an additional fee.

[9:14:09 AM](#)

SENATOR MICCICHE asked where the bill says there wouldn't be an additional charge for mailing.

MR. JACKSON clarified that the bill doesn't attempt to change anything about mailing costs. The intent is to make sure there is no fee to receive a paper copy.

SENATOR STEDMAN asked if Alaska was the first of the 50 states to do this.

MR. JACKSON replied that all states require the mailing or delivery of policies, and about 16 states are currently providing an electronic option.

[9:16:03 AM](#)

CHAIR DUNLEAVY opened public testimony.

[9:16:32 AM](#)

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

SENATOR STEDMAN asked the department's position on the legislation and if there had been input from the public.

MR. HESTER affirmed that this legislation has been enacted in several other states. He explained that it does not remove the requirement for the insurer to provide the insured their declarations page, which has personal information. The bill provides an additional method of delivery for the insured to access the policy, although the insured may still request a paper copy. He relayed that the Division of Insurance sees no difficulty with the language proposed in HB 175.

[9:18:13 AM](#)

CHAIR DUNLEAVY stated he would hold HB 175 in committee and keep public testimony open.

HB 168-TRAVEL INSURANCE

[9:18:25 AM](#)

CHAIR DUNLEAVY announced the consideration of HB 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." He noted that this was the first hearing and that CSHB 168(L&C) was before the committee.

[9:19:05 AM](#)

ANNA LATHAM, Staff, Representative Kurt Olson, sponsor of HB 168, stated that HB 168 is based on National Council of Insurance Legislators (NCOIL) model legislation that is being implemented nationwide. It has a goal of improving consumer protection and creating consistency in travel insurance sales. Section 1 redefines travel insurance so that the definition is standardized in all 50 states. She noted that Alaska's definition was slightly modified. Section 2 adds a new section defining travel insurance, and who may transact travel insurance. It allows a person that transacts travel services the ability to sell those products under the direction of a person holding a travel insurance limited producer license. It requires a travel insurance limited lines producer to maintain a register of all persons selling insurance on their behalf, and to provide a training program. The bill limits the information that a person transacting travel insurance may and may not provide to a customer. It makes the travel insurance limited producer liable for the acts of a person selling travel insurance on their behalf.

MS. LATHAM explained that NCOIL developed this model legislation to streamline the process for selling travel insurance on the Internet or across state lines. The problem is that there are 41 different licensing qualification codes to become licensed to sell travel insurance in all 50 states and many states do not accept the same electronic application. As a result, it takes about six months to become licensed. This is burdensome for this high turnover industry when insurance sales account for just two percent of travel agents overall revenue.

The NCOIL model establishes a licensing framework that reflects the unique distribution system of travel insurance in the industry and places the regulatory burden on the insurer who develops and distributes the product. This improves consumer protection by requiring clear accountability and notice to the consumer and regulator regarding who is responsible for the sale. To date, a version of this model legislation has been enacted in eight states and is awaiting governor signatures in two other states. Legislation is pending in 16 other states, including Alaska.

MS. LATHAM said the only difference between the original bill and the committee substitute (CS) appears on page 5, line 7. The phrase "an employee of the person transacting travel insurance" was changed to "a person transacting travel insurance" because the former lacked clarity.

[9:23:08 AM](#)

SENATOR OLSON asked how many people purchase travel insurance.

MS. LATHAM said there are 259 resident and non-resident licensed producers within the state, and she could get that information from them.

SENATOR OLSON asked if the trend was up, down, or stable.

MS. LATHAM said the trend is toward on-line sales. She estimated that up to 90 percent of policies are purchased that way.

SENATOR MICCICHE commented that most people don't realize that the option to purchase insurance is available whenever a person purchases a ticket.

[9:26:18 AM](#)

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

SENATOR STEDMAN asked if the department had received any complaints about travel insurance.

MR. HESTER replied he wasn't aware of any. He said this legislation allows an employee to sell insurance under their employer's limited producer license, and the Division of Insurance has no problems with the language. It is model legislation.

SENATOR STEDMAN asked if the model included recommendations for the training program and how that comports with the division's regulatory responsibilities.

[9:28:24 AM](#)

MR. HESTER offered to follow up with information, but his understanding was that the legislation does not lay out the training regimen. It simply states that the employer must implement a training program for employees.

SENATOR STEDMAN requested the information.

[9:29:50 AM](#)

VICE-CHAIR MICCICHE, acting as chair, asked if this was any different than purchasing travel insurance from an employee at a rental car counter.

MR. HESTER said that scenario is similar to what this legislation would do. His understanding was that the employee at the rental car counter is acting under the authority of the limited producer license that belongs to the rental car company.

SENATOR OLSON asked the administration's position on the bill.

MR. HESTER reiterated that DCCED has no objection to the language in HB 168.

[9:31:22 AM](#)

VICE-CHAIR MICCICHE opened public testimony, and noted it would remain open through the next meeting.

[9:31:37 AM](#)

JOHN FIELDING, Attorney, Steptoe & Johnson, LLP, stated that his firm represents U. S. Travel Insurance Association (USTIA). He urged the committee to support HB 168, describing it as a step forward for consumers, regulators and industry players. The legislation is good for consumers because it requires employee

training and disclosures to the consumers, neither of which is currently required. With regard to the question about training, he said that some states have asked the insurers to provide copies of the training materials to the regulatory department to ensure that the training is sufficiently robust. He suggested that Alaska might do that in the future. The legislation is good for the regulators because it provides a more streamlined process. It is also good for the industry because it places much of the regulatory burden on the insurers or intermediaries that develop and distribute the products. He urged the committee to support HB 168.

[9:35:34 AM](#)

SENATOR OLSON asked about the penalties for noncompliance.

MR. FIELDING said the current authority of the insurance department remains intact.

SENATOR OLSON questioned the need for the legislation since Mr. Hester said there have been no complaints. He commented that it appeared to add to bureaucracy.

MR. FIELDING said this lessens the bureaucracy. It streamlines the process by focusing on the insurers and intermediaries that put the product together and provide it. It's a process his firm has worked through with other stakeholders as it was debated by NCOIL and other states. They all thought it would be helpful, less burdensome, and more effective.

SENATOR OLSON asked where training would be held.

MR. FIELDING said there is a requirement for a training program to be in place, but it doesn't dictate the type of training or location. The training could take place on-line.

SENATOR OLSON maintained that it was another level of bureaucracy and quite possibly unnecessary since there have been no complaints.

[9:39:23 AM](#)

VICE-CHAIR MICCICHE noted that Paul Brown with AIG was available for questions. Finding no further questions or public testimony, he stated that he would hold HB 168 in committee.

[9:40:03 AM](#)

There being no further business to come before the committee, Vice-Chair Micciche adjourned the Senate Labor and Commerce Standing Committee meeting at 9:40 a.m.