

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 18, 2014

7:34 a.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

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 206(L&C)

"An Act relating to motor vehicle service contracts; exempting motor vehicle service contracts from regulation as insurance; and providing for an effective date."

- MOVED SCS CSHB 206(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 28

"An Act exempting solicitations or voluntary agreements to provide ambulance, emergency, or fire department services from regulation as insurance."

- MOVED HB 28 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 206

SHORT TITLE: MOTOR VEHICLE SERVICE CONTRACTS

SPONSOR(S): REPRESENTATIVE(S) LEDOUX

04/12/13	(H)	READ THE FIRST TIME - REFERRALS
04/12/13	(H)	L&C
04/09/14	(H)	L&C AT 3:15 PM BARNES 124
04/09/14	(H)	Moved CSHB 206(L&C) Out of Committee
04/09/14	(H)	MINUTE(L&C)
04/10/14	(H)	L&C RPT CS(L&C) NT 1DP 6NR
04/10/14	(H)	DP: MILLETT
04/10/14	(H)	NR: CHENAULT, HERRON, REINBOLD, SADDLER, JOSEPHSON, OLSON

04/16/14 (H) TRANSMITTED TO (S)
04/16/14 (H) VERSION: CSHB 206(L&C)
04/17/14 (S) READ THE FIRST TIME - REFERRALS
04/17/14 (S) L&C
04/18/14 (S) L&C AT 7:30 AM BELTZ 105 (TSBldg)

BILL: HB 28

SHORT TITLE: FIRE AND EMERGENCY MEDICAL SERVICES

SPONSOR(s): REPRESENTATIVE(s) FEIGE

01/16/13 (H) PREFILE RELEASED 1/7/13
01/16/13 (H) READ THE FIRST TIME - REFERRALS
01/16/13 (H) CRA
01/31/13 (H) CRA AT 8:00 AM BARNES 124
01/31/13 (H) Moved Out of Committee
01/31/13 (H) MINUTE(CRA)
02/01/13 (H) CRA RPT 5DP 1NR
02/01/13 (H) DP: OLSON, REINBOLD, FOSTER, NAGEAK,
LEDOUX
02/01/13 (H) NR: DRUMMOND
03/11/13 (H) TRANSMITTED TO (S)
03/11/13 (H) VERSION: HB 28
03/13/13 (S) READ THE FIRST TIME - REFERRALS
03/13/13 (S) L&C, CRA
04/18/14 (S) L&C AT 7:30 AM BELTZ 105 (TSBldg)

WITNESS REGISTER

STEVE RICCI, Aide
Senate Labor and Commerce Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced the Senate CS for HB 206.

STEPHEN MCDANIEL, Assistant Executive Director
Service Contract Industry Council (SCIC)
Tallahassee, Florida

POSITION STATEMENT: Testified in support of HB 206.

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

POSITION STATEMENT: Testified in support of HB 206.

REPRESENTATIVE ERIC FEIGE
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 28.

MARTY HESTER, Deputy Director

Division of Insurance

Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Testified that the Division of Insurance does not oppose HB 28.

ACTION NARRATIVE

[7:34:41 AM](#)

CHAIR MIKE DUNLEAVY called the Senate Labor and Commerce Standing Committee meeting to order at 7:34 a.m. Present at the call to order were Senators Olson, Micciche, and Chair Dunleavy.

HB 206-MOTOR VEHICLE SERVICE CONTRACTS

[7:35:09 AM](#)

CHAIR DUNLEAVY announced the consideration of HB 206. "An Act relating to motor vehicle service contracts; exempting motor vehicle service contracts from regulation as insurance; and providing for an effective date." He noted that this was the first hearing and there was a work draft committee substitute (CS), Version P

[7:35:19 AM](#)

SENATOR MICCICHE moved to adopt the work draft Senate CS for HB 206, labeled 28-LS0501\p, as the working document.

CHAIR DUNLEAVY objected for discussion purposes.

STEVE RICCI, Aide, Senate Labor and Commerce Standing Committee, introduced the Senate CS for HB 206. He explained that the CS clarifies the language in service agreements, focusing on the replacement of fluids, oil filters, and replacement parts during regular motor vehicle maintenance. The CS also provides clarifying language about undercoating. He deferred technical questions to Stephen McDaniel.

[7:36:21 AM](#)

CHAIR DUNLEAVY removed his objection.

[7:36:32 AM](#)

STEPHEN MCDANIEL, Assistant Executive Director, Service Contract Industry Council (SCIC), Tallahassee, Florida, said that SCIS is

a national trade association that represents the service contract industry before regulators and legislators. He explained that HB 206 is based on a model that was adopted by the NAIC in the early 1980s and is consistent with the national trend for the regulation of this product. HB 206 will provide a manner of doing business in Alaska that is consistent with how service contract businesses are treated in a majority of the country.

CHAIR DUNLEAVY asked him to describe what the bill does.

MR. MCDANIEL explained that the legislation establishes a regulatory framework for offering motor vehicle service contracts in Alaska. Anyone providing these products must register with the Division of Insurance and demonstrate financial responsibility to ensure that Alaskan consumers are protected when they purchase the products. The bill also establishes something like a consumer bill of rights so that the service contracts have disclosures to ensure that consumers may cancel the contracts at any time and receive pro rate refunds. The Division of Insurance has enforcement authority over the industry.

[7:38:22 AM](#)

SENATOR OLSON asked what problems or complaints the bill is intended to rectify.

MR. MCDANIEL replied he didn't know that there have been complaints, but the bill allows the industry to do business with some regulatory certainty in the state by registering and complying with requirements similar to those found in other states.

SENATOR OLSON again asked what kind of direct consumer complaints the bill rectifies, and expressed doubt about the need for the law.

MR. MCDANIEL explained that this law protects Alaska consumers who purchase these products. It ensures that providers adhere to the promises they make in these contracts by requiring the providers to carry insurance that backs their obligations. It also outlines the types of coverage that could be offered within a service contract in Alaska.

SENATOR OLSON asked for confirmation that the bill is not responding to any complaints that have been made in the state of Alaska.

MR. MCDANIEL deferred the question to the Division of Insurance.

CHAIR DUNLEAVY asked Mr. Hester if the Department of Commerce, Community and Economic Development (DCCED) had a position on the bill.

[7:40:56 AM](#)

MARTY HESTER, Deputy Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), advised that the division has worked on this legislation for years to allow the industry to offer the products they've wanted to offer while ensuring that Alaska consumers have the protections they need. The division believes that HB 206 meets this goal.

SENATOR OLSON asked if Alaska law is unclear with regard to motor vehicle service contracts.

MR. HESTER replied the law isn't unclear but the different types of products that different companies offer does create a clarity issue. HB 206 would address the issue by providing the regulatory structure for the products to be similar in nature, by establishing the financial responsibilities of the contract providers, and by allowing the division to oversee the consumer protection aspects.

SENATOR OLSON commented that he doesn't want somebody who isn't from Alaska dictating what happens in Alaska.

CHAIR DUNLEAVY opened and closed public testimony. Finding no further questions or comments, he solicited a motion.

[7:43:32 AM](#)

SENATOR MICCICHE moved to report HB 206, Version P, from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY announced that without objection, SCS CSHB 206(L&C) moved from the Senate Labor and Commerce Standing Committee.

[7:43:54 AM](#)

At Ease

HB 28-FIRE AND EMERGENCY MEDICAL SERVICES

[7:44:37 AM](#)

CHAIR DUNLEAVY reconvened the meeting and announced the consideration of HB 28. "An Act exempting solicitations or voluntary agreements to provide ambulance, emergency, or fire department services from regulation as insurance." This was the first hearing.

[7:44:42 AM](#)

REPRESENTATIVE ERIC FEIGE, Alaska State Legislature, Juneau, Alaska, sponsor of HB 28, introduced the bill stating the following:

HB 28 addresses an issue important to many organizations: money.

Capital grants from the State of Alaska and other entities help many emergency service organizations exist. Unfortunately, money is often available for projects such as buying new equipment or repairing a building, but money is very rarely available for operating expenses.

House Bill 28 provides a mechanism to help emergency service agencies maintain sustainability. Fire departments, ambulance services and other emergency service organizations often struggle to keep the doors open. In some communities, the power to levy taxes provides sufficient funding to operate these departments. In others, it is not an option. When sufficient funds are not available, organizations turn to other sources for money. Sometimes it is a pancake supper or a fish fry. Maybe it's a bake sale or some other project. Maybe BINGO. In different communities, different things work. The problem with these types of activities is that they take even more of the emergency volunteer's time. Time they need to spend training and responding to other emergencies.

Donations also are very helpful, but it is becoming increasingly difficult to convince people to give money to an organization. People have come to expect the government to provide these services.

One alternative to entice people to provide donations to help support fire and EMS services in the community is to offer a "no charge" policy to those that give to the organization. Unfortunately, such a simple concept

is considered insurance in Alaska and subject to numerous laws and regulation.

An ambulance service can become a health services corporation and become exempt from many of the insurance laws. To do so requires the organization to put up a minimum bond of \$100,000 along with other requirements. Hardly feasible for a few people in a remote village who want to create a service to take those that are sick or injured to the local clinic. The alternative [is to] hope someone comes along that can take the injured or sick person because no organized local ambulance service exists.

If you just charge the individual for the service, it's no problem. But if you ask for money up front to keep gas in the ambulance and to keep the fire station heated in exchange for not charging the longtime donor if you come to assist them, it falls under the category of insurance and is subject to all the regulations of the Division of Insurance.

In a similar situation, a community that has no fire department might want to start one. Often organizations charge if they have to come to help you. Others ask for donations. You might hear it referred to as a subscription fire department. In a subscription department, you pay in advance to receive the service and then receive a discount on costs if you have to use the service. The State of Alaska considers this insurance.

This bill does only one thing. It exempts municipalities and community-based nonprofit organizations engaged in emergency services from the insurance regulations for donations received that result in a production of fees charged.

CHAIR DUNLEAVY requested a synopsis of what the bill does.

REPRESENTATIVE FEIGE said it removes subscription-type emergency organizations from the regulations of the Division of Insurance.

CHAIR DUNLEAVY observed that it would help rural areas of the state.

REPRESENTATIVE FEIGE agreed.

SENATOR MICCICHE commented that the bill essentially calls insurance something else.

REPRESENTATIVE FEIGE clarified that it establishes that subscription services are not insurance.

SENATOR OLSON asked if the Division of Insurance is in favor of the bill.

[7:50:26 AM](#)

MARTY HESTER, Deputy Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), stated that the division does not oppose HB 28. It is similar to legislation that was carved out for the air ambulance industry. HB 28 would carve out for municipalities and community-based nonprofits to offer similar subscription services.

SENATOR OLSON admonished the division for taking a neutral stance on legislation that obviously would help emergency services in rural Alaska. He asked if it's true that the division has a negative view of people that provide these subscription-type services.

MR. HESTER replied it is not true. He said the division has to enforce insurance statutes and it's been opined that these types of subscription memberships are insurance. HB 28 would remove municipalities and community-based nonprofits from regulation by the division.

SENATOR OLSON asked if he had lived in rural Alaska.

MR. HESTER answered no.

CHAIR DUNLEAVY asked if he sees any harm resulting from the bill.

MR. HESTER answered no.

SENATOR MICCICHE said he supports the bill because emergency services are an appropriate application, but it shouldn't grow beyond that.

CHAIR DUNLEAVY opened and closed public testimony.

[7:53:17 AM](#)

SENATOR MICCICHE moved to report HB 28 from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY announced that without objection, HB 28 moved from the Senate Labor and Commerce Standing Committee.

7:53:29 AM

There being no further business to come before the committee, Chair Dunleavy adjourned the Senate Labor and Commerce Standing Committee meeting at 7:53 a.m.