

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 14, 2018

3:19 p.m.

MEMBERS PRESENT

Representative Sam Kito, Chair
Representative Adam Wool, Vice Chair
Representative Andy Josephson
Representative Chris Birch
Representative Gary Knopp
Representative Colleen Sullivan-Leonard

MEMBERS ABSENT

Representative Louise Stutes
Representative Mike Chenault (alternate)
Representative Bryce Edgmon (alternate)

COMMITTEE CALENDAR

SENATE BILL NO. 126

"An Act providing for an exception to the regulation of the practice of medicine for a physician who provides medical services to an athletic team from another state."

- MOVED SB 126 OUT OF COMMITTEE

CS FOR SENATE BILL NO. 80(L&C)

"An Act relating to telecommunications services for certain disabled subscribers; and providing for an effective date."

- MOVED HCS CSSB 80(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 403

"An Act relating to the Alaska Life and Health Insurance Guaranty Association; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 401

"An Act relating to insurance; relating to credit for reinsurance; insurance standard valuation; and providing for an effective date."

- HEARD & HELD

PRESENTATION: UPDATE OF THE 2020 CENSUS OPERATIONS

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 126

SHORT TITLE: VISITING PHYSICIANS WITH SPORTS TEAMS

SPONSOR(s): SENATOR(s) MACKINNON

01/16/18	(S)	PREFILE RELEASED 1/8/18
01/16/18	(S)	READ THE FIRST TIME - REFERRALS
01/16/18	(S)	L&C
01/30/18	(S)	L&C AT 1:00 PM BELTZ 105 (TSBldg)
01/30/18	(S)	Moved SB 126 Out of Committee
01/30/18	(S)	MINUTE(L&C)
01/31/18	(S)	L&C RPT 4DP
01/31/18	(S)	DP: COSTELLO, MICCICHE, MEYER, GARDNER
01/31/18	(S)	FIN REFERRAL ADDED AFTER L&C
02/05/18	(S)	FIN RPT 4DP
02/05/18	(S)	DP: MACKINNON, BISHOP, STEVENS, MICCICHE
02/05/18	(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/05/18	(S)	Moved SB 126 Out of Committee
02/05/18	(S)	MINUTE(FIN)
02/12/18	(S)	TRANSMITTED TO (H)
02/12/18	(S)	VERSION: SB 126
02/14/18	(H)	READ THE FIRST TIME - REFERRALS
02/14/18	(H)	L&C, FIN
03/12/18	(H)	L&C AT 3:15 PM BARNES 124
03/12/18	(H)	Heard & Held
03/12/18	(H)	MINUTE(L&C)
03/14/18	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 80

SHORT TITLE: TELECOMMUNICATIONS: DISABLED SUBSCRIBERS

SPONSOR(s): SENATOR(s) COSTELLO

03/08/17	(S)	READ THE FIRST TIME - REFERRALS
03/08/17	(S)	L&C, FIN
03/23/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/23/17	(S)	-- MEETING CANCELED --
04/04/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/04/17	(S)	Heard & Held
04/04/17	(S)	MINUTE(L&C)
04/07/17	(S)	L&C RPT CS 2DP 1NR SAME TITLE

04/07/17 (S) DP: COSTELLO, STEVENS
 04/07/17 (S) NR: HUGHES
 04/07/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)
 04/07/17 (S) Moved CSSB 80(L&C) Out of Committee
 04/07/17 (S) MINUTE(L&C)
 04/14/17 (S) FIN WAIVED PUBLIC HEARING NOTICE,RULE
 23
 04/15/17 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/15/17 (S) Moved CSSB 80(L&C) Out of Committee
 04/15/17 (S) MINUTE(FIN)
 04/16/17 (S) FIN RPT CS(L&C) 3DP 4NR
 04/16/17 (S) NR: HOFFMAN, MACKINNON, HUGHES, OLSON
 04/16/17 (S) DP: BISHOP, VON IMHOF, MICCICHE
 04/16/17 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/16/17 (S) -- MEETING CANCELED --
 04/17/17 (S) TRANSMITTED TO (H)
 04/17/17 (S) VERSION: CSSB 80(L&C)
 04/19/17 (H) READ THE FIRST TIME - REFERRALS
 04/19/17 (H) L&C
 03/12/18 (H) L&C AT 3:15 PM BARNES 124
 03/12/18 (H) Heard & Held
 03/12/18 (H) MINUTE(L&C)
 03/14/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 403

SHORT TITLE: LIFE & HEALTH INSURANCE GUARANTY ASSN.
 SPONSOR(S): LABOR & COMMERCE

03/05/18 (H) READ THE FIRST TIME - REFERRALS
 03/05/18 (H) L&C
 03/14/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 401

SHORT TITLE: INSURANCE; REINSURANCE; VALUATION; CREDITS
 SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/05/18 (H) READ THE FIRST TIME - REFERRALS
 03/05/18 (H) L&C
 03/14/18 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

JULI LUCKY, Staff
 Senator Anna Mackinnon
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Reintroduced SB 126 on behalf of Senator Mackinnon, prime sponsor.

SENATOR MIA COSTELLO
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reintroduced SB 80 as prime sponsor.

JOSH WALTON, Staff
Senator Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reintroduced SB 80 on behalf of Senator Costello, prime sponsor.

DEAN GATES, President
Alaska Deaf Coalition
Anchorage, Alaska

POSITION STATEMENT: Testified [via interpreter] in support of SB 80.

MILLIE RYAN, Executive Director
REACH, Inc.; Board Member, Key Coalition of Alaska
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 80.

PAM MUELLER-GUY
Southeast Alaska Independent Living (SAIL)
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 80.

RICK NELSON
Alaska Relay Advisory Board
Anchorage, Alaska

POSITION STATEMENT: Testified [via interpreter] in support of SB 80.

HEIDI KELLY
Governor's Council on Disabilities and Special Education
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 80.

PATRICK REINHART, Executive Director
Governor's Council on Disabilities and Special Education
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 80.

GARY MCDONALD

Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 80.

SORCHA HAZELTON, Staff, Representative Sam Kito

Alaska State Legislature

POSITION STATEMENT: Presented HB 403 on behalf of Representative Kito, prime sponsor.

LORI WING-HEIER, Director

Division of Insurance

Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified in the hearing on HB 403.

DONALD THOMAS, Administrator and Counsel

Alaska Life and Health Insurance Guarantee Association

Anchorage, Alaska

POSITION STATEMENT: Testified in the hearing on HB 403.

JANA-LEE PRUITT, Regional Vice President

American Council of Life Insurers (ACLI)

Louisville, Kentucky

POSITION STATEMENT: Testified in support of HB 403.

LORI WING-HEIER, Director

Division of Insurance

Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified in the hearing on HB 401.

JANA-LEE PRUITT, Regional Vice President

American Council of Life Insurers

Louisville, Kentucky

POSITION STATEMENT: Testified in support of HB 401.

JAMES CHRISTY, Regional Director

US Census Bureau

Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint on the "2020 Census Update & Overview."

ACTION NARRATIVE

[3:19:55 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 3:19 p.m. Representatives Sullivan-Leonard, Josephson, Knopp, Wool, Kito, and Birch were present at the call to order.

SB 126-VISITING PHYSICIANS WITH SPORTS TEAMS

[3:20:54 PM](#)

CHAIR KITO announced that the first order of business would be SENATE BILL NO. 126, "An Act providing for an exception to the regulation of the practice of medicine for a physician who provides medical services to an athletic team from another state."

JULI LUCKY, Staff, Senator Anna Mackinnon, Alaska State Legislature, reintroduced SB 126 on behalf of Senator Mackinnon, prime sponsor. She stated the proposed bill would provide an exemption for doctors traveling with sports teams to allow them to care for the members of the traveling team while in Alaska.

[3:22:19 PM](#)

CHAIR KITO said public testimony on SB 126 was still open from the previous hearing. Upon ascertaining that no one was available to testify, he closed public testimony.

[3:22:33 PM](#)

REPRESENTATIVE WOOL moved to report SB 126 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

[3:22:56 PM](#)

The committee took an at-ease from 3:22 p.m. to 3:24 p.m.

SB 80-TELECOMMUNICATIONS: DISABLED SUBSCRIBERS

[3:24:56 PM](#)

CHAIR KITO announced that the next order of business would be SENATE BILL NO. 80, "An Act relating to telecommunications services for certain disabled subscribers; and providing for an effective date."

[3:25:25 PM](#)

REPRESENTATIVE WOOL moved to adopt committee substitute (CS) SB 80 as the working document.

CHAIR KITO objected for the purpose of discussion. He stated the only change in the CS was to update the effective date.

CHAIR KITO removed his objection. There being no further objections, it was so ordered.

[3:25:52 PM](#)

SENATOR MIA COSTELLO, Alaska State Legislature, reintroduced SB 80 as prime sponsor. She informed that her aide would review the proposed bill for the committee.

[3:26:09 PM](#)

JOSH WALTON, Staff, Senator Mia Costello, Alaska State Legislature, reintroduced SB 80 on behalf of Senator Costello, prime sponsor. He said SB 80 would expand the landline surcharge to aid hearing disabled subscribers to include cellphones and voice over internet protocol (VOIP) phones.

[3:27:14 PM](#)

DEAN GATES, President, Alaska Deaf Coalition, testified [via interpreter] in support of SB 80. He said the Alaska Deaf Coalition is advocating for 25,000 Alaskans who have lost their hearing. He said the proposed bill would allow them to use mobile phones and internet. He shared his understanding that the language says the RCA provides support and equipment and there is a need to change the language to telecommunication equipment. He said he encourages the [legislature] to pass the bill as soon as possible. He explained he was signing with an iPad and an interpreter was speaking for him.

[3:32:04 PM](#)

MILLIE RYAN, Executive Director, REACH, Inc.; Board Member, Key Coalition of Alaska, testified in support of SB 80. She explained REACH, Inc. provides services for people with disabilities. She informed she is also representing Key Coalition of Alaska, a statewide organization for people with disabilities. She said both REACH, Inc. and Key Coalition strongly support the bill. She said people with disabilities want to be independent and make their own appointments, but

because sometimes they are hard to understand, people hang up on them. She underlined the proposed bill would offer them the possibility to be more independent.

REPRESENTATIVE BIRCH asked about the technology used to help people with hearing and speech disabilities.

MS. RYAN said she knows technology keeps improving and becomes less expensive and more accessible.

REPRESENTATIVE WOOL asked about the technology allowing people to use video for direct translation.

MS. RYAN said she guessed it is only a matter of time before it is available.

[3:36:06 PM](#)

PAM MUELLER-GUY, Southeast Alaska Independent Living (SAIL), testified in support of SB 80. She shared a personal experience in which she had to call for emergency services. She spoke to the increase in costs in devices to aid people who want to be independent.

[3:38:20 PM](#)

RICK NELSON, Alaska Relay Advisory Board, testified [via interpreter] in support of SB 80. He said the Alaska Relay board is a big supporter of SB 80 because it would allow people who are deaf or hard of hearing or with speech impediments to live independently and communicate. He stated the only people paying for the services are people who have land lines and they are paying .08 cents a month. He said his organization "would like to have it more across the board and that would include mobile services." He explained if mobile services were included, it would drop the surcharge down to .02 cents per line and this will allow for equipment to help more individuals who have low income who can't communicate with anyone else outside their home or community. He stated the Alaska Relay Advisory Board is currently conducting a pilot project that lends devices to rural communities. He added if the proposed bill passed, it would reach out to the whole state and more people would have the ability to communicate.

[3:42:50 PM](#)

HEIDI KELLY, Governor's Council on Disabilities and Special Education, testified in support of SB 80. She said she speaks on behalf of the autistic community. She shared her experiences with her hearing disabilities. She spoke to the technology she has used to be able to hear. She said the telephone is difficult or impossible the use without the technology to aid people with hearing disabilities.

[3:46:39 PM](#)

PATRICK REINHART, Executive Director, Governor's Council on Disabilities and Special Education, testified in support of SB 80. He stated the council had been an early supporter of the proposed bill and continues to support SB 80.

[3:47:15 PM](#)

GARY MCDONALD testified in support of SB 80.

[3:47:52 PM](#)

CHAIR KITO closed public testimony on SB 80 upon ascertaining that no one else was available to testify.

[3:48:05 PM](#)

REPRESENTATIVE WOOL moved to report SB 80 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

[3:48:27 PM](#)

The committee took an at-ease from 3:48 p.m. to 3:50 p.m.

HB 403-LIFE & HEALTH INSURANCE GUARANTY ASSN.

[3:50:31 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 403, "An Act relating to the Alaska Life and Health Insurance Guaranty Association; and providing for an effective date."

[3:50:29 PM](#)

SORCHA HAZELTON, Staff, Representative Sam Kito, presented HB 403 on behalf of House Labor and Commerce Standing Committee,

prime sponsor. She gave some background on HB 403. She paraphrased the sponsor statement [included in committee packet], which reads as follows [original punctuation provided]:

House Bill 403 updates the Alaska Life and Health Insurance Guaranty Act to conform to the National Association of Insurance Commissioners Life and Health Guaranty Model Act. These changes update the Act and improve uniformity nationwide in the administration of life and health guarantee associations.

House Bill 403 incorporates changes made by the National Association of Insurance Commissioners to the Life & Health Insurance Guarantee Association Model Act (MDL 520) in December 2017, after House Bill 157 had been introduced. These changes added health maintenance organizations (HMOs) as members of the association, providing HMO coverage, and addressing long-term care insolvencies. With the substantial number of changes made, HB 403 was introduced to help explain these changes, though few are substantive.

Throughout, numerous conforming changes are made to AS 21.79 consistent with the model law, most of which do not substantively change the bill.

The Alaska Life and Health Insurance Guarantee Association (Association) is composed of insurers who transact life insurance, health insurance, or annuities in Alaska. The purpose of the Association is to guarantee that residents and certain nonresidents will continue to receive benefits in the event one of the members becomes impaired or insolvent. In order to accomplish this, the Act directs the insurers to form a board and collect assessments from members to pay for the operations of the Association and obligations of insolvent or impaired members.

House Bill 403 amends terms for consistency with the model act, raises payment limits, adds language clarifying what products are included and excluded from the protections under the Act, and adds language clarifying that medical and hospital service corporations and their products are subject to the provisions of the Act. House Bill 403 amends the powers and duties section for the Association to follow the model act, authorizes the board to increase

assessments, grants the Association the ability to develop procedures to remove an Association governor for cause, and adds new definitions.

[3:52:09 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED), testified in the hearing on HB 403. She said long term care insurance has been around for many years, but there has been a concern about the solvency of insurers. She explained the National Association of Insurance Commissioners (NAIC) took action to address those insurers. Previously, those insolvencies would have been covered only by healthcare insurers. She indicated the bill would bring in life insurers and split potential insolvencies evenly. She stated the division was still asking hospital services medical associations to participate. She mentioned Primera is the only provider and they have not been a member before. She added the update to the NAIC model also brought in health maintenance organizations (HMOs). She remarked the cost of health care is being discussed throughout the legislature.

[3:54:33 PM](#)

MS. WING-HEIER summarized the sectional analysis [included in committee packet], which reads as follows [original punctuation provided]:

Sec. 1 AS 21.79.010 is amended to conform to National Association of Insurance Commissioners' (NAIC) Life and Health Insurance Guaranty Association Model Act (MDL 520) model language and clarifies protections that apply to the failure in performance of contractual obligation because of the impairment or insolvency of the member insurer.

Sec. 2 AS 21.79.020(a) is amended to clarify that applicability includes a nonresident who is not eligible for coverage by a guaranty association in another state because the insurer was not licensed at the time specified in the guaranty association law of that state.

Sec. 3 AS 21.79.020(b) is amended to have AS 21.79 apply to a contract issued by a hospital or medical service corporation and defines the terms "annuity

policy or contract" and "certificate under a direct group life health, annuity, or supplemental policy or contract". This section also includes health maintenance organizations (HMOs) in the definition of "health insurance," for the purposes of AS 21.79.

Sec. 4 AS 21.79.020(c) is amended to make AS 21.79 inapplicable to:

1. a policy or contract providing a hospital, medical, prescription drug, or other health care benefit in accordance with 42 U.S.C. 1395w-211395- w154 or federal regulations adopted under those sections; (Medicare Choice Program and Voluntary Prescription Drug Benefit Program)
 2. a person who acquires rights to receive payments through a structured settlement factoring transaction as defined in 26 U.S.C. 5891(c)(3)(A), regardless of whether the transaction occurred before or after such section became effective.
 3. structured settlement annuity benefits to which a payee or beneficiary has transferred the payee or beneficiary's rights in a structured settlement factoring transaction as defined in 26 U.S.C. 5891(c)(3)(A), regardless of whether the transaction occurred before or after 26 U.S.C. 5891(c)(3)(A) became effective.
- Subsection (c) is also amended to add clarifying language consistent with the model language and provide exceptions to the above inapplicability.

Sec. 5 AS 21.79.020(d) Non-substantive changes are made for either consistency with the NAIC Model or drafting conventions.

Sec. 6 AS 21.79.020(e) Non-substantive changes made are for either consistency with the NAIC Model or drafting conventions, with a citation correction in paragraph (9).

Sec. 7 AS 21.79.025(a)

- AS 21.79.025(a)(2)(B)(ii) is amended to clarify that the benefits for which the association may become liable may not exceed \$300,000 for long-term care insurance as defined under AS 21.53.200. Conforms to model language by

replacing "basic hospital, medical, and surgical insurance or major medical insurance" with the term "health benefit plans."

- AS 21.79.025(a)(3) is amended to change "contract holder" to "contract owner" to be consistent with the NAIC Model, to clarify that the contract refers to an unallocated annuity contract issued to or in conjunction with a government lottery if the owner is a resident, and to clarify that the association is not liable to cover more than \$5 million in benefits regardless of the number of policies and contracts held by the owner.
- AS 21.79.025(a)(4) is amended to increase the coverage limit for net cash surrender and net cash withdrawal values of annuities from \$100,000 to \$250,000 for individuals participating in a governmental retirement benefit plans established under 26 U.S.C. 401, 26 U.S.C. 403(b) or 26 U.S.C. 457 and covered by an unallocated annuity contract
- AS 21.79.025(a)(5) is amended to increase the coverage limit for net cash surrender and net cash withdrawal values, if any, from \$100,000 to \$250,000 to each payee of a structured settlement annuity, or beneficiary of the payee if the payee is deceased, in the aggregate.

Sec. 8 AS 21.79.025(c) is amended to not require the association to reissue the contractual obligations of an insolvent or impaired insurer under a covered policy or contract when the obligations do not materially affect the economic values or economic benefits of the covered policy or contract.

Sec. 9 AS 21.79.025(d) is amended to correct a typographical error, to replace "basic hospital, medical, and surgical insurance or major medical insurance" with the term "health benefit plans," and to add the word "contract" as is consistent with the model language.

Sec. 10 AS 21.79.025 is amended to add a new subsection: long-term care rider benefits to a life insurance policy or contract are considered to be the same type of benefits as the basic life insurance policy or contract to which it relates.

Sec. 11 AS 21.79.040(a) is amended to require a hospital or medical service corporation business and an HMO business to become members of an association.

Sec. 12 AS 21.79.050(a) is amended to increase the number of representatives on the Board of Governors of a guaranty association to 7-11 from 5-9.

Sec. 13 AS 21.79.060(a) is amended to allow the association to provide loans to assure payment of the contractual obligations of the impaired insurer until those obligations are guaranteed, reinsured, or assumed; also gives authority to reissue policies or contracts if the member insurer is impaired.

Sec. 14 AS 21.79.060(d) AS 21.79.060(d)(1) is amended to better track the model language by combining existing paragraphs 1 - 3 under AS 21.79.060(d). Tracking NAIC models and language promotes national uniformity and state-based regulation, and ease of interpretation, compliance, administration, enforcement, and amendment.

- AS 21.79.060(d)(1), consistent with the addition of loans under AS 21.79.060(a)(2) under Section 13 above, is amended to authorize the association to utilize loans necessary to discharge the association's duties under AS 21.79.060.
- AS 21.79.060(d)(2) is amended to better track the model language by placing existing subsections (e) - (j) in this paragraph. This subsection also adds the terms "contract," "enrollee," and HMOs, as is consistent with the model language.

Sec. 15 AS 21.79.060(k) is amended to conform with the model language by adding the word "contract."

Sec. 16 AS 21.79.060(l) is amended to require the association to provide a report to the liquidator regarding the premium collected by the association if requested by the liquidator of an insolvent insurer.

Sec. 17 AS 21.79.060(n) is amended to authorize the association to impose a permanent policy or contract lien under a guarantee, assumption, or reinsurance agreement if approved by a court and the association finds that the amount that may be assessed is less

than the amount needed to assure full and prompt performance of the association's duties.

Sec. 18 AS 21.79.060(o) is amended to conform to the model language and change a subsection citation to conform with amendments being made.

Sec. 19 AS 21.79.060(p) is amended to change a subsection citation to conform to amendments being made to the section.

Sec. 20 AS 21.79.060(s) is amended to conform to the model language by adding the words "policies," "contracts," and "enrollee."

Sec. 21 AS 21.79.060(t) is amended to conform to model language and to allow the association to file rate and premium increases with the director for policies or contracts.

Sec. 22 AS 21.79.060 adds a new subsection (aa) to better track the model language by incorporating the provisions in existing AS 21.79.060(u) - (x).

Sec. 23 AS 21.79.070(a) is amended to require that any assessment of association members by the association board must be adopted by a resolution of the board.

Sec. 24 AS 21.79.070(c) is amended to increase the amount of a non-pro-rata assessment of from \$250 per calendar year to \$500 per calendar year. It also amends the class B assessment to include pro-rata assessments related to long-term care insurance, as well as changing the manner in which Class A and Class B assessments are made.

Sec. 25 AS 21.79.070(f) is amended to conform to the model language by adding the term "member insurer" in place of "insurer."

Sec. 26 AS 21.79.070(j) is amended to conform to the model language by adding the term "member insurer" in place of "insurer."

Sec. 27 AS 21.79.070(k) is amended to allow hospital and medical service corporations and HMOs to consider

the amount necessary to meet its assessment obligations when determining its premium rates and policy owner dividends.

Sec. 28 AS 21.79.070(1) is amended to conform to model language by adding the term "member insurer."

Sec. 29 AS 21.79.080(c) is amended to require the association board to adopt a plan of operation that includes

(1) procedures for removing a member of the board for cause, including procedures for removing a member of the board who becomes an impair or insolvent insurer, and (2) policies and procedures for addressing conflicts of interest.

Sec. 30 AS 21.79.090(b) is amended to conform to the model language by replacing the term "insurance" with the term "business."

Sec. 31 AS 21.79.090(c) is amended to (1) clarify that only a final action of the board may be appealed, and (2) increase the time by which an appeal may be taken from 30 days to 60 days after the date the notice of the board's action is mailed.

Sec. 32 AS 21.79.090(d) is amended to clarify that the liquidator, rehabilitator, or conservator of an insolvent insurer may notify all interested persons of the effect of AS 21.79.

Sec. 33 AS 21.79.100(a) is amended to require the director to notify other insurance regulatory officials in the country when issuing orders for the security of contract owners and certificate holders.

Sec. 34 AS 21.79.100(e) is amended to allow the director to seek the association board's advice and recommendations as to the financial condition of hospital and medical service corporations and HMOs.

Sec. 35 AS 21.79.100(f) is amended to enable the association board to make reports and recommendations to the director relating to the solvency of hospital and medical service corporations and HMOs.

Sec. 36 AS 21.79.100(h) is amended to conform to model language by using the term "member insurer."

Sec. 37 AS 21.79.110(c) is amended to add the words "or contract," as is consistent with the model language.

Sec. 38 AS 21.79.110(d) is amended to expand the list of those situations where the court may or must consider the contributions of the parties when distributing ownership rights.

Sec. 39 AS 21.79.110(e) is amended to conform to model language by using the term "member insurer."

Sec. 40 AS 21.79.110(f) is amended to conform to model language by using the term "member insurer," and adding the words "or contract" after "policy."

Sec. 41 AS 21.79.140 is amended to (1) clarify that a cause of action may not arise for an action or omission of the association and its agents and employees, members of the Board of Governors, member insurers, and agents and employees of member insurers, and the director of the division of insurance and the director's representatives in performing their duties under AS 21.79, and (2) extend the immunity to such entities' participation in an organization of one or more state associations of similar purposes and to that organization and its agents or employees.

Sec. 42 AS 21.79.150 is amended to extend the time a proceeding involving an insolvent insurer may be stayed from 60 days to 180 days after the date of a final order of liquidation, rehabilitation, or conservation in order to allow the association additional time to exercise a power or duty authorized under AS 21.79.

Sec. 43 AS 21.79.160(a) is amended to clarify that the section does not apply to entities that do not sell or solicit coverage by a hospital or medical service corporation or coverage by an HMO; conforms to model language by replacing the term "insurer" with "member insurer."

Sec. 44 AS 21.79.160(b) is amended to conform to model language by including the terms "member," "policy owner," "contract owner," "certificate holder," and "enrollee."

Sec. 45 AS 21.79.160(c) is amended to conform to model language by including the words "member," "policy owner," "contract owner," and "certificate owner." Prohibits hospital or medical service corporations or HMOs from using the existence of the association for sales, solicitation, or inducement to purchase insurance.

Sec. 46 AS 21.79.900(5) amends the term "called" to (1) mean a notice has been mailed by the association to member insurers requiring that an authorized assessment be paid within the time set out in the notice, and (2) include that an authorized assessment becomes "called" when notice is mailed by the association.

Sec. 47 AS 21.79.900(6) amends the term "contractual obligation" to clarify that the term only applies to an obligation for which coverage is provided under AS 21.79.020(a), (b), (d), and (e).

Sec. 48 AS 21.79.900(7) amends the term "covered policy" to include "covered contract."

Sec. 49 AS 21.79.900(10) amends the term "member insurer" to include a hospital or medical service corporation licensed under AS 21.87, and includes even those whose license or certificate of authority has been suspended, revoked, not reviewed, or voluntarily withdrawn.

Sec. 50 AS 21.79.900(12) is amended to conform to model language by changing the term "owner" in regard to a policy or contract to "policyholder," "policy owner," and "contract owner."

Sec. 51 AS 21.79.900(13) amends the term "plan sponsor" to clarify that the term applies to groups of representatives of parties, similar to two or more employers, or jointly by one or more employers and one or more employee organizations, an association, committee, or joint board of trustees who establish or maintain the benefit plan.

Sec. 52 AS 21.79.900(14) amends the term "premium" to clarify that assessable premium may not be reduced

on account of AS 21.79.020(c)(4) relating to interest limitations and limitations with respect to one individual, one participant, and one contract owner.

Sec. 53 AS 21.79.900(15) conforms to model language by amending the definition of "receivership court" and uses the term "member insurer" in place of "insurer."

Sec. 54 AS 21.79.900(16) amends the term "resident" to delete language considered unnecessary under state drafting conventions.

Sec. 55 AS 21.79.900(19) amends the term "supplemental contract" to mean a written agreement entered into for the distribution of proceeds under life, health, or annuity policy or contract benefits.

Sec. 56 AS 21.79.900 is amended to add new paragraphs to define the terms "health benefit plan", "election date" and "extra contractual claim". The section is also amended to define "published monthly average", previously defined under AS 21.79.020(f).

Sec. 57 AS 21.86.260(a) is amended to apply AS 21.79 to HMOs.

Sec. 58 AS 21.87.340 is amended to add AS 21.79 to the list of statutory provisions which apply to hospital and medical service corporations.

Sec. 59 Repeals the following provisions

- AS 21.79.020(f) defining "published monthly average" as the definition is moved under AS 21.79.900.
- AS 21.060(c) is repealed as the provision no longer is in the model language.
- AS 21.79.060(e) - (j) are repealed as these provisions have been relocated to AS 21.79.060(d).
- AS 21.79.060(u) - (x) are repealed as these provisions have been relocated to AS21.79.060(aa).
- AS 21.79.110(e) is repealed as unnecessary because the state has adopted Section 602 of the NAIC Insurers Receivership Model Act (MDL 555) (AS 21.78.325).

Sec. 60 Provides for an uncodified new section outlining the timing of when the director may adopt regulations.

Sec. 61 Provides that section 60 of the Act takes effect immediately.

Sec. 62 Provides a July 1, 2018 effective date.

[3:57:02 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD referred to Section 7 and asked about the liability amount.

MS. WING-HEIER answered the liability amount is \$300,000 for disability income as defined, and \$300,000 for long-term care is new. She said it was clarifying that the limit is specific to long-term care. She added the last two limits are increasing from \$100 [thousand] to \$250 [thousand], which is what a consumer could collect, provided as funded if their policy were with an insolvent insurer.

CHAIR KITO summarized that the aim is to catch up with late adopted changes to the model law. He added long-term care insolvency is a big issue.

[4:08:39 PM](#)

DONALD THOMAS, Administrator and Counsel, Alaska Life and Health Insurance Guarantee Association, testified in the hearing on HB 403. He said that during the past 8 years, he has been engaged in efforts to have the Guarantee Association's Organic Act updated. He explained HB 403 would give the board of governors the tools to affect the purposes of the Association's Act. He underlined the board is operating under outdated rules and has had to incur expenses that could have been avoided had it not been operating under an outdated system. He said HB 403 would ensure functional consistency within the nationwide state-based guarantee system. He added it is important as presently there is no health or life insurance domesticated in Alaska. He said with HB 403 there is an increased likelihood that Alaska law will be applied to Alaska policyholders.

[4:10:59 PM](#)

JANA-LEE PRUITT, Regional Vice President, American Council of Life Insurers (ACLI), testified in support of HB 403. She stated the American Council of Life Insurers (ACLI) is a national trade association representing around 290 companies which offer life insurance annuities, long term care insurance, disability income insurance, and reinsurance. She added ACLI has 219 members licensed to do business in Alaska, and 96 percent of all life insurance and annuity payments to Alaska citizens are made by ACLI member companies. She stated ACLI supports the bill. She informed HB 403 would better protect insured residents of Alaska in the unlikely event of an insurer insolvency by amending the Alaska Life and Health Insurance Guaranty Association Act to incorporate amendments made to the National Association of Insurance Commissioners ("NAIC") Life & Health Insurance Guaranty Association Model Act, upon which the Alaska Act is based.

MS. PRUITT said HB 403 would increase coverage limits for individuals covered by unallocated annuity contracts and structured settlement annuities from \$100,000 to \$250,000 and make the Alaska Act functionally consistent with the NAIC Model Act. Forty-five states have already amended their guaranty association laws to achieve functional consistency, which is critical to ensuring multi-state insolvencies are handled as quickly and efficiently as possible and policyholder claims are treated similarly, regardless of a policyholder's state of residence. She underlined that lack of consistency among state guaranty association statutes has led to unnecessary and expensive litigation in the past, which can delay claim payments and divert resources from protecting policyholders.

MS. PRUITT stated HB 403 would also help ensure the continued sustainability of the state-based guaranty association system in the event of the insolvency of a carrier that writes long-term care insurance. She said the current assessment formula for long-term care insurance insolvencies is not sustainable. The newly-revised NAIC Model Act and HB 403 would distribute the assessments for long-term care insurance insolvencies among companies writing life, health, annuity products. Regulators, insurers, consumer representatives and experts in the insurance receivership community worked together for over a year to make these critical changes to the NAIC Model Act. She added HB 403 would help ensure the Alaska Act – which was created to protect consumers and act as a safety net in the event of an insurer insolvency – remains stable, fair, and sustainable through sufficient assessment capacity.

MS. PRUITT said there are a few minor revisions required and ACLI is in discussion with Ms. Wing-Heier and her staff to make sure the revisions comply with Alaska's legislative drafting conventions.

[4:14:28 PM](#)

CHAIR KITO opened testimony on HB 403.

CHAIR KITO held over HB 403.

HB 401-INSURANCE; REINSURANCE; VALUATION; CREDITS

[4:14:52 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 401, "An Act relating to insurance; relating to credit for reinsurance; insurance standard valuation; and providing for an effective date."

[4:14:59 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED), testified in the hearing on HB 401. She explained that insurers use reinsurers to back their ability to pay claims. She said reinsurers come from out of the country and the state doesn't have the authority to examine financials and accreditation of foreign reinsurers doing business in Alaska. She described the covered agreement stating insurers don't have to pledge 100 percent of every loss to back the loss. She said the NAIC has adopted newer standards to ensure claims get paid.

[4:18:36 PM](#)

CHAIR KITO noted issues regarding legislative drafting of the proposed bill. He asked Ms. Wing-Heier to share the direction the proposed bill would be going.

[4:19:38 PM](#)

REPRESENTATIVE KNOPP asked whether the federal government addresses what the state was attempting.

MS. WING-HEIER said, "Yes and no." She said the federal government has challenged the states to pass the bill as amended.

CHAIR KITO noted that the states regulate insurance individually.

MS. WING-HEIER answered, "That is true." She explained the division values state-based regulation as what works for Alaska won't work for other states. She added state-based regulation has worked for 150 years.

[4:21:18 PM](#)

REPRESENTATIVE WOOL asked why there is a shortage of American companies in reinsurance.

MS. WING-HEIER answered there are lots of domesticated insurance companies but sometimes the risks are so big that the companies can't get enough re-insurance to cover the entire payment required.

[4:22:31 PM](#)

JANA-LEE PRUITT, Regional Vice President, American Council of Life Insurers, testified in support of HB 401. She said the proposed bill would repeal and reenact portions of Alaska statute governing credit for reinsurance, making them consistent with NAIC model law which has been revised twice in recent years to modernize reinsurance regulations in the U.S. She added that HB 401 would govern the circumstances under which the Division of Insurance would allow a life insurer to take credit for reinsurance in its financial statements as an asset or a reduction from liability.

MS. PRUITT stated the second section of HB 401 would amend Alaska's valuation law to be consistent with NAIC's valuation law. She explained life insurers set aside capital called "reserves" to ensure they will be able to pay future claims. She stated that until recently, the formula for calculating life insurance reserves was a "one size fits all" approach. She said in 2017 a new system called principle-based reserving (PBR) was enacted in nearly every state. She explained PBR ensures that reserves match the actual risk assumed by insurers. To implement PBR, state legislatures must enact both the standard valuation law approved by the NAIC in 2009 and the revisions made to the NAIC standard non-forfeiture law in 2012. She stated HB 401 includes the revisions to both those laws and would be a major step forward in the process of implementing PBR

in Alaska. She stated there are one or two minor revisions that need to be finalized.

[4:24:47 PM](#)

CHAIR KITO asked about the principles of PBR.

[4:25:00 PM](#)

MS. WING-HEIER said the second part of the bill deals with PBR. She said life insurers have always had a "one size fits all" approach to how reserves are set. She remarked the approach is somewhat antiquated. She added PBR will allow the state to look at the risks that insurance companies have taken on in a different manner. She stated the industry supports the proposal because it allows for an accurate portrayal of the risks insurers are taking on.

[4:26:34 PM](#)

CHAIR KITO clarified that PBR stood for principle-based reserves.

[4:26:54 PM](#)

REPRESENTATIVE WOOL asked whether the proposal was akin to a credit check on the insurance companies.

MS. WING-HEIER answered in the affirmative.

[4:27:13 PM](#)

CHAIR KITO opened public testimony on HB 401.

CHAIR KITO held over HB 401.

[4:27:44 PM](#)

The committee took an at-ease from 4:27 p.m. to 4:29 p.m.

Presentation: Update of the 2020 Census Operations

[4:29:18 PM](#)

CHAIR KITO announced that the final order of business would be a presentation on "Update of the 2020 Census Operations" by James

Christy, Regional Director, Los Angeles Regional Office, US Census Bureau.

[4:29:30 PM](#)

JAMES CHRISTY, Regional Director, US Census Bureau, presented a PowerPoint on the "2020 Census Update & Overview." He provided a brief history of the US Census.

REPRESENTATIVE BIRCH asked whether the census counts undocumented people in the United States.

MR. CHRISTY answered the language in the U.S. Constitution states the census counts the actual amount of people in the U.S. He said the census counts everyone that is living in the U.S. regardless of citizenship status.

REPRESENTATIVE BIRCH mentioned Alaska only has one [U.S.] House Representative. He remarked there are a lot of undocumented individuals in California and if they are counted, then the number of representatives would increase. He asked how the calculation is reconciled.

MR. CHRISTY described the apportionment process. He explained there is an algorithm. He added some states will have a small population threshold. He said, "It's the laws of equal proportions."

[4:33:58 PM](#)

REPRESENTATIVE BIRCH asked to receive the information.

CHAIR KITO reminded that Alaska is a beneficiary of the system and has more representation than would strictly be entitled according to the calculation.

[4:35:02 PM](#)

REPRESENTATIVE WOOL asked whether the number of representatives has gone up.

MR. CHRISTY answered the number has been 435 for some time. He informed that Congress could add to that.

[4:35:36 PM](#)

MR. CHRISTY addressed slide 2, "Why We Do a Census":

- Article 1, Section 2 of the US Constitution
 - The actual Enumeration shall be made within three Years after the first Meeting of the Congress of the United States, and within every subsequent Term of ten Years, in such Manner as they shall by Law direct.
- Key Purpose is Apportioning the US House of Representatives

[4:36:43 PM](#)

MR. CHRISTY spoke to slide 3, "Local Update of Census Addresses (LUCA) ":

- What is LUCA?
- Why Participate in LUCA?
- Who can Participate in LUCA?
 - States
 - Counties
 - Incorporated places (Cities, towns)
 - Federally recognized tribes and Alaska Native Regions

MR. CHRISTY explained there had been a series of workshops and training programs about LUCA in Alaska.

[4:38:07 PM](#)

MR. CHRISTY addressed "LUCA Status for Alaska" on slides 4 and 5.

- July 2017
 - Invitation mailing to highest elected official and working contacts
- October/ November 2017
 - In person trainings and Alaska specific webinars hosted by the Alaska State Data Center
 - Reminder letter mailing
- December/January 2018
 - Targeted contacts by SDC and Regional office to large governments
 - Email reminders and closeouts to all contacts
 - Reminder and closeout mailing
- 30 percent of Governments participating, including the State of Alaska

- 100 percent of the population is covered through the participation by the State of Alaska
- 89 percent of the population is covered through Boroughs/Alaska Native Regions/cities
- Next steps
 - Materials produced and delivered through April 2018
 - 23 percent of participants have received their materials
 - 120-day calendar review period

[4:38:40 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked whether the census uses Department of Commerce, Community & Economic Development (DCCED) staff to connect homes, names and places.

MR. CHRISTY answered the question would be addressed in a subsequent slide.

[4:39:12 PM](#)

MR. CHRISTY spoke to slide 6, "Area Census Office (ACO) in Anchorage, AK":

- There are a total of 248 Area Census Offices in the nation.
- Anchorage ACO is scheduled to open in Jan 2019 to support the 2020 Census field operations
- Address Canvassing in the fall of 2019
- Remote Alaska enumeration
- Non-response Follow up in early summer of 2020

[4:40:46 PM](#)

MR. CHRISTY explained "How we do the Census" on slide 7:

1. Advance Notice:
 - 2/3 will get mailing
 - 1/4 will get mail delivery
2. Online response - expecting 60 percent - 70 percent will respond online
3. Will hire staff to follow-up on non-response
4. #1 doesn't equal to 100 percent

MR. CHRISTY described "Remote AK/Other Populations" on slide 8.

Special operation to count people in the remote areas of Alaska (see map)

- Conducted in January - April 2020
 - First person in the 2020 Census will be counted in Alaska!
- Military
 - Conducted incorporation with the Dept. of Defense
 - Most captured administratively
- Other Populations
 - Group Quarters
 - Homeless
 - Transitory locations

[4:45:24 PM](#)

CHAIR KITO asked about efforts to count the homeless.

MR. CHRISTY explained that the census takers tend to count the homeless population over 2 to 3 days. He said they go to shelters and count people who are there overnight. He added they also look for mobile services such as meals in a park. He stated the third activity is to identify the street locations where people are sleeping. He underlined the enumerators do not wake people up but do attempt to ensure the counts are accurate.

REPRESENTATIVE BIRCH asked how soon the information is publicly available after the information is gathered.

MR. CHRISTY answered the date is in statute. He informed the data is delivered to the President for purposes of apportionment by December 31, 2020. He added his department likes to deliver before that date. He said the office will also deliver to the governor and to the senate and house leadership of each state by April 1, 2021, for the purposes of the redistricting process.

[4:48:10 PM](#)

MR. CHRISTY moved to slide 9, "Recruiting, Hiring, & Staffing, Anchorage ACO positions":

- Summer 2018
 - ACO Management (approx. 10)
- Fall 2018

- ACO office staff, Recruiting Assistants (approx. 25)
- Partnership Specialists (TBD)
- Spring 2019
 - Address Canvassing field staff (300 plus)
 - Remote Alaska field staff (TBD)
- Fall 2019
 - Non-Response Follow-Up field staff (TBD)

MR. CHRISTY continued to describe the recruiting information on slide 10:

- Online application (Paper Alternative)
- Competitive pay rates
- Qualifications
 - U.S Citizen
 - Pass a background check
 - Veteran's Preference

[4:49:29 PM](#)

MR. CHRISTY address the "Census Partnership and Engagement Program (CPEP)" on slides 11 and 12:

- Goals
 - Improve public cooperation
 - Leverage existing networks and "trusted voices"
 - Focus on communities who are less likely to respond
 - Formation of Complete Count Committees
 - Support operational efforts
- Partnership Specialist stationed in Alaska since 10/2016
- Met with tribes and Alaska Native Regional governments to promote LUCA and build contact lists
- Continue working with partners/stakeholders to promote the important of the 2020 Census
- Continue to expand and increase our partnership presence in Alaska
- Alaska Working Group is a great example!

[4:52:12 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD remarked that she found the census takers in the previous census "very pushy," and "quite intrusive." She asked whether there was a format for answering basic questions without contributing to data-driven information for [Washington] D.C. statistics.

MR. CHRISTY answered that for the 2020 census the subjects have been submitted to Congress. He added there are other programs that are more in-depth. He said the upcoming census would involve only seven questions.

[4:55:04 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:55 p.m.