

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 22, 2019

3:17 p.m.

**MEMBERS PRESENT**

Representative Gabrielle LeDoux, Co-Chair  
Representative Adam Wool, Co-Chair  
Representative Zack Fields  
Representative Sara Hannan  
Representative Louise Stutes  
Representative Josh Revak  
Representative Dave Talerico

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 102

"An Act relating to rental vehicles; relating to vehicle rental networks; relating to liability for vehicle rental taxes; and providing for an effective date."

- MOVED HB 102 OUT OF COMMITTEE

SENATE BILL NO. 29

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

- HEARD & HELD

SENATE BILL NO. 36

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

- HEARD & HELD

HOUSE BILL NO. 78

"An Act relating to insurance; relating to an insurer's corporate annual disclosure; relating to insurance company holding systems; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 102

SHORT TITLE: RENTAL VEHICLE BY PRIVATE OWNER

SPONSOR(s): REPRESENTATIVE(s) WOOL

03/20/19 (H) READ THE FIRST TIME - REFERRALS  
03/20/19 (H) L&C, FIN  
04/03/19 (H) L&C AT 3:15 PM BARNES 124  
04/03/19 (H) Heard & Held  
04/03/19 (H) MINUTE(L&C)  
04/08/19 (H) L&C AT 3:15 PM BARNES 124  
04/08/19 (H) Heard & Held  
04/08/19 (H) MINUTE(L&C)  
04/15/19 (H) L&C AT 3:15 PM BARNES 124  
04/15/19 (H) Heard & Held  
04/15/19 (H) MINUTE(L&C)  
04/17/19 (H) L&C AT 3:15 PM BARNES 124  
04/17/19 (H) -- MEETING CANCELED --  
04/22/19 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 29

SHORT TITLE: EXTEND BOARD OF MARINE PILOTS

SPONSOR(s): SENATOR(s) STEDMAN

01/23/19 (S) READ THE FIRST TIME - REFERRALS  
01/23/19 (S) L&C, FIN  
02/07/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/07/19 (S) Moved SB 29 Out of Committee  
02/07/19 (S) MINUTE(L&C)  
02/08/19 (S) L&C RPT 5DP  
02/08/19 (S) DP: REINBOLD, BIRCH, BISHOP, COSTELLO,  
GRAY-JACKSON  
03/01/19 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/01/19 (S) Heard & Held  
03/01/19 (S) MINUTE(FIN)  
03/08/19 (S) FIN RPT 8DP 1NR  
03/08/19 (S) DP: STEDMAN, VON IMHOF, MICCICHE,  
HOFFMAN, WIELECHOWSKI, OLSON, WILSON,  
BISHOP  
03/08/19 (S) NR: SHOWER  
03/08/19 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/08/19 (S) Moved SB 29 Out of Committee  
03/08/19 (S) MINUTE(FIN)  
04/05/19 (S) TRANSMITTED TO (H)  
04/05/19 (S) VERSION: SB 29  
04/08/19 (H) READ THE FIRST TIME - REFERRALS

04/08/19 (H) L&C, FIN  
04/17/19 (H) L&C AT 3:15 PM BARNES 124  
04/17/19 (H) -- MEETING CANCELED --  
04/22/19 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 36

SHORT TITLE: EXTEND BOARD OF NURSING

SPONSOR(s): SENATOR(s) GIESSEL

01/25/19 (S) READ THE FIRST TIME - REFERRALS  
01/25/19 (S) L&C, FIN  
02/07/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/07/19 (S) Moved SB 36 Out of Committee  
02/07/19 (S) MINUTE(L&C)  
02/08/19 (S) L&C RPT 5DP  
02/08/19 (S) DP: REINBOLD, COSTELLO, BISHOP, BIRCH,  
GRAY-JACKSON  
03/01/19 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/01/19 (S) Heard & Held  
03/01/19 (S) MINUTE(FIN)  
03/13/19 (S) FIN RPT 6DP 2NR  
03/13/19 (S) DP: STEDMAN, VON IMHOF, MICCICHE,  
OLSON, WILSON, BISHOP  
03/13/19 (S) NR: SHOWER, WIELECHOWSKI  
03/13/19 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/13/19 (S) Moved SB 36 Out of Committee  
03/13/19 (S) MINUTE(FIN)  
04/01/19 (S) TRANSMITTED TO (H)  
04/01/19 (S) VERSION: SB 36  
04/03/19 (H) READ THE FIRST TIME - REFERRALS  
04/03/19 (H) L&C, FIN  
04/17/19 (H) L&C AT 3:15 PM BARNES 124  
04/17/19 (H) -- MEETING CANCELED --  
04/22/19 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 78

SHORT TITLE: INSURER & GROUP INSURANCE DISCLOSURE

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/04/19 (H) READ THE FIRST TIME - REFERRALS  
03/04/19 (H) L&C  
04/22/19 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

DAVID SCOTT, Staff  
Senator Bert Stedman

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented SB 29 on behalf of Senator Stedman, prime sponsor.

EILEEN DONAHUE, Audit Manager  
Division of Legislative Audit  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a summary of the Board of Marine Pilot's sunset audit and answered questions during the hearing on SB 29.

SENATOR CATHY GIESSEL  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented SB 36.

KAREN BUCHKOSKI, Audit Manager  
Division of Legislative Audit  
Juneau, Alaska

**POSITION STATEMENT:** Presented a summary of the Board of Nursing's sunset audit and answered questions during the hearing on SB 36.

SARAH CHAMBERS, Director  
Division of Corporations, Business and Professional Licensing  
Department of Commerce, Community & Economic Development  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on SB 36.

LORI WING-HEIER, Director  
Division of Insurance  
Department of Commerce, Community & Economic Development  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 78 and answered questions from the committee.

#### **ACTION NARRATIVE**

[3:17:35 PM](#)

**CO-CHAIR GABRIELLE LEDOUX** called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Hannan, Talerico, Stutes, Fields, Revak, Wool, and LeDoux were present at the call to order.

**HB 102-RENTAL VEHICLE BY PRIVATE OWNER**

[3:18:18 PM](#)

CO-CHAIR LEDOUX announced that the first order of business would be HOUSE BILL NO. 102, "An Act relating to rental vehicles; relating to vehicle rental networks; relating to liability for vehicle rental taxes; and providing for an effective date."

[3:19:05 PM](#)

REPRESENTATIVE STUTES moved to report HB 102 out of committee with individual recommendations and the accompanying fiscal notes. Without objection, HB 102 was moved from the House Labor and Commerce Standing Committee.

[3:19:29 PM](#)

The committee took an at-ease from 3:19 to 3:21 p.m.

[Co-Chair LeDoux passed the gavel to Co-Chair Wool.]

**SB 29-EXTEND BOARD OF MARINE PILOTS**

[3:21:40 PM](#)

CO-CHAIR WOOL announced that the next order of business would be SENATE BILL NO. 29, "An Act extending the termination date of the Board of Marine Pilots; and providing for an effective date."

[3:22:29 PM](#)

DAVID SCOTT, Staff, Senator Bert Stedman, Alaska State Legislature, introduced SB 29 on behalf of Senator Stedman, prime sponsor. He said the bill extends the Board of Marine Pilots for eight years, as recommended by the legislative auditor. He explained that the board licenses and regulates marine pilots to ensure they are competent and safe. The board also makes final licensing decisions and takes disciplinary action against violators of laws and regulations. He noted that the board has seven members: two marine pilots, two vessel agents, two public members, and the commissioner of the Department of Commerce, Community & Economic Development (DCCED). He further noted that the legislative auditor conducted a review of the board and found a continued need for it. The auditor determined that the board is following the law;

it is processing investigations timely and actively reviewing and changing its regulations to improve the industry and better protect the public. He directed attention to the fiscal note, which is funded by Receipt Supportive Services.

[3:24:05 PM](#)

REPRESENTATIVE HANNAN asked why the extension is for eight years.

MR. SCOTT offered his understanding that eight years is the longest possible extension, which means the board is in good standing.

[3:25:08 PM](#)

EILEEN DONAHUE, Audit Manager, Division of Legislative Audit, Legislative Affairs Agency, provided a summary of the Board of Marine Pilot's sunset audit. She said the audit concludes that the board is serving the public's interest by effectively licensing marine pilots and approving trainees and apprentices, adding that the maximum eight-year extension is recommended for the board. As of January 2018, there were a total of 103 licensees, and by March the board had a surplus of over 229,000 dollars. She noted that the report included two recommendations. The Division of Legislative Audit (DLA) recommends that the board should ensure applicable documents are aboard foreign pleasure crafts in accordance with regulatory requirements. The second recommendation states that the board should ensure the Southeast Alaska Pilot's Association improves its procedures for tracking drug test notifications.

[3:28:21 PM](#)

REPRESENTATIVE HANNAN sought clarification on the first recommendation and the correct procedure for a foreign pleasure vessel that is not in compliance with the required documents.

MS. DONAHUE explained that the recommendation in question concerns an application process that occurs before vessels arrive in Alaska waters.

REPRESENTATIVE HANNAN presumed that any foreign vessel lacking proper documentation would be denied permission to enter Alaska waters. She asked if that was the conclusion of the audit.

MS. DONAHUE clarified that the audit looks at the application process for exemptions. She said before a vessel arrives, the operator must submit an application that indicates if certain items are on board. The board approved any exemptions with the understanding that the applicant will follow through and obtain the required documents at a later date. However, the DLA is of the opinion that the required documents should be aboard the vessels at the time of application.

[3:30:19 PM](#)

CO-CHAIR WOOL sought clarification on the board's cumulative surplus.

MS. DONAHUE replied that it changes from year to year based on biennial license renewals. She noted that the DCCED plans on evaluating the fees to ensure that the board's surpluses aren't excessive.

[3:32:29 PM](#)

CO-CHAIR WOOL announced that SB 29 was held over.

**SB 36-EXTEND BOARD OF NURSING**

[3:32:45 PM](#)

CO-CHAIR WOOL announced that the next order of business would be SENATE BILL NO. 36, "An Act extending the termination date of the Board of Nursing; and providing for an effective date."

[3:33:10 PM](#)

SENATOR CATHY GIESSEL, Alaska State Legislature, as prime sponsor of SB 36, introduced the bill and paraphrased parts of the sponsor statement [included in the committee packet], which read in its entirety as follows [original punctuation provided]:

In accordance with AS 08.03.010(c)(14,) the Board of Nursing is scheduled to terminate June 30, 2019. Senate Bill 36 extends the board's termination date six years to June 30, 2025.

The Board of Nursing is established under AS 08.68 for the purpose of controlling and regulating the practice of nursing, including APRNs, nurse anesthetists, registered nurses, LPNs and CNAs.

The board's mission statement is "to actively promote and protect the health of the citizens of Alaska through the safe and effective practice of nursing as defined by law."

The audit of the Board demonstrated that it is meeting this mission.

SENATOR GIESSEL addressed the Board of Nursing's sunset audit, which was conducted by the Division of Legislative Audit (DLA) to determine the need for the board's continued existence. She noted that the DLA made four recommendations, all of which have been agreed to by the board. She directed attention to page 11 of the audit and addressed the 337,422-dollar deficit. She pointed out that the board's revenues and expenditures have since been updated to reflect the license renewals from October and November 2018. She assured the committee that, currently, "the cash box is full."

[3:36:43 PM](#)

CO-CHAIR LEDOUX asked why the DLA recommended a six-year extension as opposed to three or four years.

SENATOR GIESSEL offered her understanding that the DLA wanted the ability to follow up and ensure that prior recommendations will be resolved.

[3:37:48 PM](#)

KAREN BUCHKOSKI, Audit Manager, Division of Legislative Audit, Legislative Affairs Agency, explained that the reduction in extension time was due to the repeat findings.

[3:40:52 PM](#)

SARAH CHAMBERS, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community & Economic Development, in response to a question from Representative Hannan, said that the audit was one of the first things that the new board addressed. She revealed that the board recently approved two sets of regulations to be forwarded for public notice once they are through the legal process.

[3:41:56 PM](#)

REPRESENTATIVE HANNAN mentioned the opioid crisis and expressed concern that notifications of license suspensions for prescriptive authority weren't being dealt with in a timely matter. She asked how soon the regulations would be in place and wondered if they would adequately address the problem.

MS. CHAMBERS explained that the division views the audit's recommendation as an extra safeguard. She said that administrative measures were established 6 months ago to address the problem. She said the board created the regulations as an extra step and to "make sure that it was a mandate on themselves."

[3:46:09 PM](#)

CO-CHAIR LEDOUX pointed out that the board is still missing one member because one of the appointees didn't meet certain requirements.

REPRESENTATIVE FIELDS requested that the DCCED follow up on the review of CNA programs and report back to the committee.

MS. CHAMBERS offered to give the committee a current update. She said that timeframe of lookback for the audit covered a period when the board was switching from an independent contractor to a permanent position, which went vacant for a period of time. During that time, she said, "programs approvals fell by the wayside and the board itself didn't pick up that activity." She said once the position was filled, they returned to a regular schedule and a full update on the status of CNA program reviews was reported to the new board at their first meeting. She stated that it is no longer a deficiency.

REPRESENTATIVE FIELDS questioned whether all 22 CNA programs are getting inspected.

MS. CHAMBERS confirmed that they are all inspected on a biennial basis. She noted that they received a federal grant through the Department of Health and Social Services (DHSS) to offset the cost and ensure that it doesn't fall on the certified nurse aids themselves.

[3:48:49 PM](#)

CO-CHAIR WOOL questioned whether the 22 CNA [training] programs are mostly affiliated with hospitals or if they are educational.

MS. CHAMBERS replied that there is a variety; for example, some are private, and some are affiliated with university programs. Nonetheless, she pointed out that all of them must meet the same standards.

[3:49:33 PM](#)

CO-CHAIR WOOL announced that SB 36 was held over.

**HB 78-INSURER & GROUP INSURANCE DISCLOSURE**

[3:49:45 PM](#)

CO-CHAIR WOOL announced that the final order of business would be HOUSE BILL NO. 78, "An Act relating to insurance; relating to an insurer's corporate annual disclosure; relating to insurance company holding systems; and providing for an effective date."

[3:50:04 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development, introduced HB 78 and related its history. The bill will make changes to the insurance code that conform to changes in model laws adopted by the National Association of Insurance Commissioners (NAIC) and will assist the state in maintaining its accredited status with the NAIC and improve uniformity nationwide in the regulation of insurance. She noted that HB 78 has two components regarding corporate governance and holding companies.

[3:52:22 PM](#)

MS. WING-HEIER began the sectional analysis [included in the committee packet] of HB 78. She addressed section 1, which adds new sections to AS 21.09 and requests an annual disclosure of corporate governance from insurance companies to ensure that their policies and procedures comply with statute.

[3:52:58 PM](#)

CO-CHAIR LEDOUX asked what corporate governance is.

MS. WING-HEIER stated that, in this case, it establishes that the board knows the actions of upper management and is cognizant of what is taking place in that entity.

[3:54:06 PM](#)

MS. WING-HEIER turned attention to section 1 and detailed the annual disclosure requirement. She read the following from the sectional analysis [original punctuation provided]:

AS 21.09.332. Disclosure requirement

- Subsection (a) requires insurers (the term "insurer" and "insurers" includes insurance groups) to submit to the director by June 1 of each calendar year a corporate governance annual disclosure, and, if the insurer is a member of an insurer group, to the lead state regulator of the insurance group.
- Subsection (b) requires the disclosure to be signed by the CEO or corporate secretary indicating the insurer has implemented the corporate governance practices required under the disclosure provisions and that the disclosure has been provided to the insurer's board of directors or to the appropriate committee of the board.
- Subsection (c) provides the director may require an insurer to submit a disclosure if the insurer is not already required to do so under (a) of this section.
- Subsection (d) details the levels of corporate governance at which the insurer may provide the information regarding its disclosure.
- Subsection (e) encourages the insurer to make its disclosure at a level based on specified criteria. If the insurer utilizes the criteria the entity must so indicate to the director and must also explain any subsequent change in the level of reporting.
- Subsection (f) provides that disclosures are to be reviewed and any requests for information are to be made through the lead state in accordance with the most recent NAIC Financial Analysis Handbook.

- Subsection (g) allows an insurer to reference other documents provided to the director containing information required in the disclosure without having to duplicate the information in the disclosure provided the disclosure provides for a cross-reference of the document in which the information is included.

MS. WING-HEIER continued by saying that AS 21.09.334 will authorize the director to adopt regulations and orders; AS 21.09.336 will set out the contents of the corporate governance annual disclosure; and AS 21.09.338 will provide for confidentiality.

CO-CHAIR LEDOUX questioned whether this was a recent concept from the NAIC.

MS. WING-HEIER said it has been around for four to five years, adding that all states are required to adopt this by January 1, 2020 to keep accreditation.

CO-CHAIR LEDOUX inquired as to the timing of it being brought to the committee. She asked why now instead of last year.

MS. WING-HEIER explained that last legislature, the bill was introduced as a four-part accreditation bill. At that time, she said, the committee requested that sections three and four be eliminated in order to pass sections one and two because there was already a considerable amount of time spent on the first part of the bill.

[3:57:06 PM](#)

REPRESENTATIVE FIELDS asked what the real-world impact would be if HB 78 did not pass.

MS. WING-HEIER replied that the NAIC could put the state on a probation.

REPRESENTATIVE FIELDS questioned whether it could potentially force Alaska-based insurers to domicile elsewhere.

MS. WING-HEIER answered yes. She explained that one of the purposes of having all states conform to similar legislation and having accreditation is that insurance companies domiciled in Alaska can pay to have the state do an examination and then they would be accredited to transact insurance in other states.

[3:58:49 PM](#)

CO-CHAIR WOOL sought clarification on accreditation.

MS. WING-HEIER confirmed that Alaska is accredited. She explained that every 5 years Alaska submits to the NAIC who brings outside consultants to look at the state's statutes and regulations, as well as the Division of Insurance's staff and credentialing. She noted that the NAIC ultimately ranks the state as passing or failing, adding that in 2017 Alaska passed "with flying colors."

CO-CHAIR WOOL asked how the state's accreditation affects the ability of Alaska insurance companies to conduct business elsewhere.

MS. WING-HEIER conveyed that when the state is accredited, the state's work is accepted by the other 49 states and the District of Columbia. She pointed out that if Alaska loses accreditation, each state must show that Alaska's insurance companies are meeting all the financial solvency requirements that they have adopted.

[4:01:04 PM](#)

CO-CHAIR LEDOUX asked if it is necessary to adopt the exact same language as the NAIC's model, or if there is any leeway.

MS. WING-HEIER replied that accreditation must be the model law or substantially similar.

[4:02:34 PM](#)

MS. WING-HEIER returned to the sectional analysis. She directed attention to AS 21.09.340, which establishes the penalties for an insurer that fails to comply. She continued to section 2, which amends AS 21.22.0859(a) to apply the requirements of the section to transactions that occurred the previous December 31 rather than the current year. The change is necessary as the director would not have all the information necessary to calculate the transaction given the timing of when an insurer is required to provide information to the director for review.

[4:04:38 PM](#)

CO-CHAIR LEDOUX asked why the current year is less meaningful than the past year.

MS. WING-HEIER stated that prior year shows the impact on 12 months of business as opposed to three or four months.

[4:05:40 PM](#)

MS. WING-HEIER directed attention to section 3, which amends AS 21.22.1209(a) to allow for confidentiality. Section 4 adds new subsections to AS 21.22.120 to clarify that the director, staff, or the NAIC could not release confidential information.

CO-CHAIR LEDOUX questioned whether the information could be shared if it was subpoenaed.

MS. WING-HEIER said she understood that to be correct.

[4:07:55 PM](#)

REPRESENTATIVE HANNAN inquired as to the current regulations regarding confidential information that was subpoenaed.

MS. WING-HEIER replied that the current statutes already require holding the documents confidentially. What they don't clarify is that the holding company would be subject to the same confidentiality as the companies that are underneath it.

[4:09:31 PM](#)

CO-CHAIR LEDOUX asked what would happen under current law, if a subpoena was issued for information from a holding company.

MS. WING-HEIER stated that her attorneys would argue that AS 21.09.06 would extend to that case.

[4:10:35 PM](#)

MS. WING-HEIER addressed section 5, which adds new sections to AS 21.22 regarding group-wide supervision of internationally active insurance groups. She noted that there are no international companies domiciled in Alaska; nonetheless, this is part of the model law Alaska must adopt. Section 6 adds two definitions for an "internationally active insurance company" and a "group-wide supervisor" to AS 21.22.200. Section 7 allows the director to adopt regulations necessary to implement this bill and section 8 provides for an effective date.

4:12:26 PM

REPRESENTATIVE HANNAN sought clarification on the aforementioned status report that is submitted every June.

MS. WING-HEIER acknowledged that every June the division files a status report on any bills that impact accreditation, as well as the status on examinations.

4:13:26 PM

CO-CHAIR WOOL announced that HB 78 was held over.

4:13:39 PM

**CO-CHAIR WOOL ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:13 p.m.