

4-22-82

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HOUSE LABOR & COMMERCE
STANDING COMMITTEE
April 22, 1982
1:11 p.m.

Members Present: Rep. Martin, Chairman
Rep. Bylsma, Vice Chairman
Rep. Randolph

Members Absent: Rep. Gardiner
Rep. Rogers

COMMITTEE CALENDAR

CSSB 749 (L&C) An Act relating to equity participation; and providing for an effective date.

CSSB 841 (L&C) An Act relating to insurance policy provisions on policy loans and reinstatement of policies; and providing for an effective date.

WITNESS REGISTER

Senator Rodey
Alaska State Legislature
Pouch V
Juneau, Alaska 99811
465-3717
Position Statement: Supported CSSB 749 (L&C).

Ken Moore, Director
Division of Insurance
Department of Commerce & Economic Development
Pouch D
Juneau, Alaska 99811
465-2515
Position Statement: Supported CSSB 749 (L&C).

Mike Thomas
American Council of Life Insurance
Juneau, Alaska 99801
586-3348
Position Statement: Supported CSSB 841 (L&C).

Don Koch, Chief
Market Surveillance Section
Division of Insurance
Pouch D
Juneau, Alaska 99811
465-2577
Position Statement: Division supported CSSB 841 (L&C).

PREVIOUS ACTION

SB 749

Senate Action: First reading 2/11/82. Reported from Labor & Commerce 4/8/82. Reported from Rules 4/20/82; taken up immediately. Labor & Commerce committee substitute adopted in second reading; bill advanced to third reading and passed 4/20/82, with effective date vote same as passage.

House Action: First reading 4/20/82; assigned to Labor & Commerce.

Statutory Reference: AS 45.45.010(f)

Action Taken: Bill reported out.

SB 841

Senate Action: First reading 3/8/82. Reported from Labor & Commerce 4/8/82. Moved from Judiciary to Rules by unanimous consent 4/14/82. Reported from Rules 4/20/82; taken up immediately. Labor & Commerce committee substitute adopted in second reading; advanced to third reading by unanimous consent. Passed 4/20/82, with effective date vote same as passage.

House Action: First reading 4/20/82; assigned to Labor & Commerce.

Statutory Reference: AS 21.45.080; AS 21.45.110.

Action Taken: Bill reported out with individual recommendations.

ACTION NARRATIVE

Tape #61
Recording
Number 000

The meeting was called to order by Chairman Martin at 1:11 p.m. Members present were: Representatives Martin, Bylsma, and Randolph. Representatives Gardiner and Rogers were absent. Rep. Martin brought CSSB 749 (L&C) before the committee.

Number 004

Senator Pat Rodey explained the change in equity prohibition. He said there has been a prohibition on equity participation that goes back to about 1970. This bill would change that and would allow equity

participation above a million dollars and for a five year take out, so there are restrictions. He said most other states have been moving in this direction as a matter of economics. Few projects, particularly large commercial projects, can support an effective 17% interest rate, and there is no long term takeout for building. AIDA is the only entity providing take out for the construction of new properties in Anchorage, with the exception of ARCO and Hunt Brothers. Senator Rodey said this would allow the lender to take an equity position in the project. He explained that what is really happening is the lender will defer interest. If the project will support a 13% interest rate, and the net effective rate has to be 17%, the other 5% will be put into an equity position in that project and it will come out someplace during the project or when the project is sold. It allows, in a very uncertain market, for the lender to be secured, because if he is not, he will not lend the money. Senator Rodey felt there really is no alternative, interest rates being what they are today. He said in addition, people are starting to get around the existing statute by signing agreements with Seattle, and finding creative solutions. It was his opinion as a lawyer that you can probably get around the statute, as it is drafted now, anyway, but there is some uncertainty. It was Senator Rodey's intent that the small borrower will not be subject to leveraging by a lender; and that the larger, sophisticated lenders will be able to seek a national market.

Number 040

Rep. Martin asked if eventually the law should be repealed. Sen. Rodey did not believe the prohibitions should be eliminated completely, in order to avoid undue pressure by lenders on the small borrowers. He felt the law needs to be changed to keep current with economic conditions, but that this revision in the law is appropriate now.

Number 056

Ken Moore, director of the Division of Insurance, supported the bill. He said that among the items listed in the bill are lenders, and among the lenders are insurance companies. He favored the bill so they can leverage the loan. Moore said it is being

done in other states and, as Senator Rodey said, they are just by-passing us and doing it in those states that already give this leveraging permit. Regarding deleting the law entirely, Moore felt that would probably result in massive reconstruction of statutes. This saves that.

Number 065 Rep. Randolph moved to report CSSB 749 (L&C) out of committee. There being no objection, the motion passed.

Number 075 Rep. Martin brought CSSB 841 (L&C) before the committee.

Number 082 Mike Thomas, American Council of Life Insurance, said the council supports the bill. He explained the changes effected by the committee substitute, why the bill is needed, and how the bill would work. He said the law would result in cost savings on new policies.

Number 152 Rep. Randolph questioned how this would affect existing policies. Thomas said there would be no affect.

Number 165 Rep. Martin asked about a possible conflict between page 2, lines 9-12, and page 4, the effective date. He requested clarification. Thomas explained. There was discussion among the committee, Moore, and Thomas about how the bill would work.

Number 233 Don Koch, Chief of the Market Surveillance Section of the Division of Insurance, said the division supported the bill.

Number 235 Rep. Randolph moved the bill be reported out of committee with individual recommendations. There being no objection, the motion passed.

Number 251 As there was no further business to come before the committee, the meeting was adjourned at 1:30 p.m.

Absent:
Rogers.
Handwerker

H. Salvo - Commerce
4/22/82 SB 841
SB 749

Tape # 61

1: 11

Sen. Rodley attending

000

Call to order
JUTH
CSSB 749 (LRC)

004

Sen. Rodley - explained equity prohibition. Explained how
bill wd affect lenders & borrowers. Said bill wd
clarify statutes.

040

Martin asked if eventually law shd be repealed. Rodley
said people might be concerned that, if no prohibitions,
small businessmen might experience undue pressure
fm lender. Jelt bill was appropriate at this time.

056

Ken Moore, Dir, Div of Ins - ~~also~~ supported bill as it applies
to ins. cover leverage. Re deleting law entirely, felt
wd result in massive reconstruction in statutes.

065

Randolph moved to report out; no obj; passed.

075

JUTH, SB 841 (LRC)

082

Mike Thomas, Am Council of Life Insurance - Council supports
bill. Explained chngs in CS₁₁ & how bill wd work.

Said law wd result in cost savings in new policies.

158

Rep. Randolph stated how this wd affect existing policies.

Thomas said there wd be no effect.

165

Martin ~~asked~~, pd., L 7-10, n felt there was a conflict
w/ P. 4, ED. Requested clarification.

Thomas explained. ~~Re~~ Discussion among

committee, Moore, & Thomas of how bill wd work.

233

Koch said Div supports bill.

235

Randolph moved bill be reported out w/ slight recomm. No obj;
passed.

251

1:30 Adjourned.

LABOR & COMMERCE COMMITTEE
DAILY COMMITTEE HEARING

Date: 4/22/82

Place: _____

<u>Members</u>	<u>Present</u>	<u>Absent</u>	<u>Time Arrived</u>	<u>Time Left</u>
Rep. B. Bylsma, V. Chair	✓	_____	1:01	
Rep. D. Randolph	✓	_____	1:11	
Rep. B. Rogers	_____	_____	✓	
Rep. T. Gardiner	_____	_____	✓	
Rep. T. Martin, Chair	✓	_____	12:55	

Subject Matter:

House Bill No. _____

Senate Bill No. 841 749 _____

Special Orders:

SB 749 SENATE ACTION

10:34 4/26/82 PAGE 2 OF 3

DATE SEQ PAGE

LEGISLATIVE ACTION

02/11/82 01 0267

FIRST READING -- COMMITTEE REPORTS

04/08/82 02 0837

L&C -- CS04, NR01

04/20/82 03 0965

RLS -- L&C CS03, OTHER04

TAKEN UP IMMEDIATELY

04/20/82 04 0969

SECOND READING

04/20/82 05 0970

L&C CS ADOPTED BY UNAN CONSENT

04/20/82 06 0970

ADVANCED TO 3RD READING BY UNAN CONSENT

04/20/82 07 0970

THIRD READING

04/20/82 08 0970

PASSED BY DIV 16-04-00

04/20/82 09 0970

EFFECTIVE DATE VOTE SAME AS PASSAGE

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SB 749 HOUSE ACTION

10:34 4/26/82 PAGE 3 OF 3

DATE SEQ PAGE

LEGISLATIVE ACTION

04/20/82 10 1439

FIRST READING -- COMMITTEE REPORTS

04/22/82 11 1498

L&C -- DF03

RULES

RULES

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SB 841 SENATE ACTION 10:33 4/26/82 PAGE 2 OF 3
DATE SEQ PAGE LEGISLATIVE ACTION

03/08/82 01 0480 FIRST READING -- COMMITTEE REPORTS
04/08/82 02 0838 L&C -- CS03, NR02
04/14/82 03 0914 MOVED FROM JUD TO RLS BY UNAN CONSENT
04/20/82 04 0965 RLS -- OTHER04
TAKEN UP IMMEDIATELY
04/20/82 05 0971 SECOND READING
04/20/82 06 0971 L&C CS ADOPTED BY UNAN CONSENT
04/20/82 07 0971 ADVANCED TO 3RD READING BY UNAN CONSENT
04/20/82 08 0971 THIRD READING
04/20/82 09 0971 PASSED BY DIV 19-01-00
04/20/82 10 0972 EFFECTIVE DATE VOTE SAME AS PASSAGE

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SB 841 HOUSE ACTION 10:33 4/26/82 PAGE 3 OF 3
DATE SEQ PAGE LEGISLATIVE ACTION

04/20/82 11 1439 FIRST READING -- COMMITTEE REPORTS
04/22/82 12 1498 L&C -- DP01, NR02
JUDICIARY
RULES

