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4/2/85

COMMITTEE REPORT HOUSE

JUDICIARY

(7)

FURTHER:

4/8/85

Date: Apr. 23 1985

The committee on LABOR & COMMERCE has had HB 356
"A bill relating to assignment of group life policies of insurance."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Mike Swann

Mike Swann
CHAIRMAN



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Gruenberg
FROM: Dave Donley *AD*
RE: April 24, 1985
DATE: HB 356, "Assignment of Group Life Policies of Insurance"

Under current estate tax law, if an insured owns a life insurance policy, upon the insured's death the proceeds of that policy will pass through his estate and be subject to estate tax prior to receipt by the named beneficiary.

If a person other than the insured owns a policy, the proceeds do not pass through the insured's estate and thus are not subject to estate tax.

At common law, it is questionable whether group life policies can be assigned, and the IRS has held that without statutory authorization, assignments are not effective for tax purposes. Accordingly, some 48 states have made group life policies assignable by statute.

Considering that 48 states have already passed similar laws, enactment of HB 356 by the state of Alaska would result in an insignificant reduction in federal revenues. The advantages in estate planning for Alaskans to be provided by this legislation are substantial and fair. Failure to pass this legislation will result in continuance of an inequitable federal tax situation that discriminates against Alaskans.

M E M O R A N D U M

To: All Members, House Labor and Commerce Committee

From: Roger Poppe, Committee Aide

Date: April 25, 1985 Thursday Meeting

Subject: Overview, HF 356

The subject of this bill has not appeared before previous legislatures; this section of the law has not changed since it was established in 1966. There is no companion legislation in the Senate. There is another committee of referral in the House, which is Judiciary. The fiscal note is zero.

This bill is supported by the Alaska Bar Association (see letter by Mr. Goerig in your file), and is not opposed by the DCED, Division of Insurance. There are 48 other states that have already passed similar laws; only Alaska and Delaware do not have it.

Basically, the IRS has held that without state statutes to cover it, group life insurance policies cannot be assigned for tax purposes. This bill would give an Alaskan citizen the right to transfer his ownership of any group life insurance policy to any individual he wishes, without having that right contested by the IRS.

HB 356 File Contents

April 25, 1985 Meeting

- 1) Bill Summary -- Legislative Reporting Service
- 2) Overview -- R. Poppe, Committee Staff
- 3) Statutory Backup -- AS 21.42.270
- 4) Fiscal Note -- Dept. of Commerce and Economic Development
- 5) Memo: From Dave Donley to Rep. Gruenberg, April 24, 85
- 6) Letter from George Goerig to Richard Thwaites, Feb. 25, 85
(see back side for suggested draft)

INTRODUCTION OF BILLS (House)

Elk
(transplant)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 165, by Reps. Taylor and Sund (see pages 209;379). Note: a sponsor substitute version supersedes all previous versions of the bill.

The bill states: "The Department of Fish and Game shall, over the next three years, cooperate with and assist in the transplanting to Zarembo Island of up to 50 but not less than 10 elk during the fiscal year ending June 30, 1986, up to 50 but not less than 10 elk during the fiscal year ending June 30, 1987, and up to 50 but not less than 10 elk during the fiscal year ending June 30, 1988. The department shall utilize the services of volunteers, organizations and groups to accomplish this transplanting whenever possible. The department is authorized to enter into agreements with similar agencies in other states to facilitate this transplant." Does not provide effective date (takes effect 90 days after Governor signs bill).

Introduced April 9 and referred to Resources, Finance.

Onboard
Observer
Programs
(establishing)

HOUSE BILL NO. 355, by Rep. Thompson. Would establish and implement an onboard observer program to monitor and obtain certain information on fisheries. The majority of the bill is identical to SB 79, see page 100. The title for HB 355 reads "An Act authorizing the establishment and implementation of onboard observer programs," while the title for the Senate bill reads "An Act authorizing the Board of Fisheries to establish onboard observer programs."

Deletes Section 2 (14) (D), which required that all vessel operators "registered under the laws of the state that participate in that fishery" pay a fee to cover the operating costs of the onboard observer program.

Changes the wording for the definition of "fishery" in Sec. 4 (28). Both the House and Senate bills carry the same intent for fishery, but it is worded slightly differently.

Introduced April 8 and referred to the House Special Committee on Fisheries, Resources and Finance.

Group Life
Insurance
Policies
(assigning)

HOUSE BILL NO. 356, by Rep. Gruenberg, Taylor and Pettyjohn. Amends AS 21.42.270 (The Insurance Contract. Assignment of Policies) to allow a group life insurance policy "... to be assigned either by pledge or transfer of title by an assignment executed by the insured alone and delivered to the insurer, whether or not the pledgee or assignee is the insurer." Does not provide effective date (takes effect 90 days after Governor signs bill).

Introduced April 8 and referred to Labor & Commerce, Judiciary.

Student Loans
Used to Pay
Child Care

HOUSE BILL NO. 357, by Reps. Gruenberg, Koponen and Shultz. Would allow proceeds from a state student loan to be used for child care expenses (currently loan may be used only for tuition, books, required fees and room and board). Also allows

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 356
 Title: An assignment of group life policies of insurance
 Sponsor: Gruenberg et al.
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: _____
Consumer Protection
 BRU, Program or Subprogram(s) Affected: _____
Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: John George, Director Phone: 465-2515
 Division: Insurance Date: 4/25/85
 Approved by Commissioner: Loren W. Lounsbury Date: 4/25/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

Sec. 13. ____ . ____ . Assignment of group policies. A group policy may be assignable or not assignable as provided by its terms. Subject to its terms relating to assignability, any group life or group health insurance policy, under the terms of which the beneficiary may be changed upon the sole request of the insured or owner, may be assigned either by pledge or transfer of title, by an assignment executed by the insured or owner alone and delivered to the insurer, whether or not the pledgee or assignee is the insurer. Any such assignment shall entitle the insurer to deal with assignee as the owner or pledgee of the policy in accordance with the terms of the assignment, until the insurer has received at its home office written notice of termination of the assignment or pledge, or written notice by or on behalf of some other person claiming some interest in the policy in conflict with the assignment.

LAW OFFICES
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ANCHORAGE, ALASKA 99503

TRIGG T. DAVIS
GEORGE E. GOERIG, JR.

TELEPHONE 561-4420
AREA CODE 907

February 25, 1985

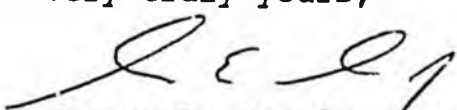
Richard S. Thwaites, Jr.
Chairman of the Alaska Bar Association
Probate Law Section
1031 West 4th Ave., Suite 500
Anchorage, AK 99501

Re: Proposed Statutes Regarding Assignment
of Group Term Life Insurance Policies

Dear Dick:

Enclosed is a proposed statute relating to the assignability of group life insurance policies. This statute shall affirmly establish the right of an individual to transfer his ownership of any group life insurance policy to any individual he wishes. Although at the present time there is no law in effect which specifically prohibits such an assignment, the United States Treasury Department may contest such a person's right unless the state of residency has a statute authorizing such an assignment. The Alaska Bar Association taxation law section supports inactment of this proposed statute.

Very truly yours,


George E. Goerig, Jr.
Attorney At Law

GEG/dvs

Enclosure

Sec. 21.42.270. Assignment of policies. A policy may be assignable or nonassignable, depending upon its terms. Subject to its terms relating to its assignability, a life or disability policy, whether issued before or after July 1, 1966, under the terms of which the beneficiary may be changed upon the sole request of the insured, may be assigned either by pledge or transfer of title by an assignment executed by the insured alone and delivered to the insurer, whether or not the pledgee or assignee is the insurer. The assignment entitles the insurer to deal with the assignee as the owner or pledgee of the policy in accordance with the terms of the assignment until the insurer has received at its home office written notice of termination of the assignment or pledge, or written notice by or on behalf of some other person claiming an interest in the policy which is in conflict with the assignment. (§ 1 ch 120 SLA 1966)

Collateral references. — 43 Am. Jur
2d, Insurance, § 789 et seq.
45 C.J.S., Insurance, § 410 et seq.

Validity of assignment of life insurance
policy to one who has no insurable interest
in insured, 30 ALR2d 1310.

Sec. 21.42.280. Payment discharges insurer. When the proceeds of or payments under a life or disability insurance policy or annuity contract, whether issued before or after July 1, 1966, become payable in accordance with the terms of the policy or contract, or the exercise of a right or privilege under the policy or contract and the insurer makes payment in accordance with the terms of the policy or contract or in accordance with a written assignment, the person then designated under the policy as being entitled thereto shall be entitled to receive the proceeds or payments and to give full acquittance for them. The payments shall fully discharge the insurer from all claims under the policy or contract unless, before payment is made, the insurer has received at its home office written notice by or on behalf of another person that the other person claims to be entitled to the payment or some interest in the policy or contract. (§ 1 ch 120 SLA 1966)

Sec. 21.42.290. Minor may give acquittance. (a) A minor domiciled in this state who has attained the age of 16 years shall be considered competent to receive and to give full acquittance and discharge for a payment or payments in aggregate amount not exceeding \$3,000 in any one year made by a life insurer under the maturity, death or settlement agreement provisions in effect or elected by the minor under a life insurance policy or annuity contract, if the policy, contract or agreement provides for the payment or payments to the minor, and if before the payment the insurer has not received written notice of the appointment of a duly qualified guardian of the property of the minor. A minor may not be considered competent to alienate the right to or to anticipate the payments. This section does not restrict the rights of minors set out in AS 21.42.080.



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Signature of Camera Operator


Date