

H B

3 5 6



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

HB 356 Summary

Measure would allow the "assignment" of group life insurance policies which provides a means of reducing federal estate taxes and simplifying the estate planning process.

If a person other than the insured is assigned a policy, the proceeds do not pass through the insured's estate, and thus are not subject to federal estate tax. Currently, 48 states have passed similar legislation, and the IRS has concurred as long as state's statutorily authorize "assignment" of group life policies. Without this authorization, the IRS requires payment of estate taxes on the policy before the proceeds go to the heir.

MEMORANDUM

State of Alaska

TO: Don Koch

RECEIVED
DIV. OF INSURANCE

DATE: September 25, 1980

SEP 30 11 51 AM '80

FILE NO:

TELEPHONE NO:

FROM: Jim Jordan

ALASKA DEPT. OF
COMMERCE & ECONOMIC
DEVELOPMENT

SUBJECT: Assignment - Group Life

I recently had several more inquiries regarding the assignment of group life benefits. However, this time, I have found the insurer's reason for stating that group life benefits are not assignable in Alaska.

The situation described was one in which a two person partnership was looking for a group life contract to provide coverage for themselves as well as their employees. In addition, the two partners wished to assign their group life benefits and to name the assignee as beneficiary (the other partner) in order to obtain the favorable federal estate tax treatment as well as to fund a buy-sell arrangement. The insurer involved would not issue a group life contract allowing for assignment because, by their interpretation, in so doing they would not be contracting with a duly formed group pursuant to AS21.48.020.

AS21.48.020 states, in part, "...The lives of a group of individuals may be insured under a policy issued to an employer...to insure employees of the employer for the benefit of persons other than the employer..." (emphasis added). The insurer's contention is that if assignment were included, then this would benefit the employer and by so doing, violate the AS21.48.020 definition of a duly constituted group. One theory for this type of definition relates to the employer's purpose of providing group life coverage. That theory is the employer's purpose in providing for part or all of the cost of group life insurance is to provide for the employee's family upon death. In this specific case, the insurer deemed the partnership (the employer) would benefit by the assignment upon death of either or both of the partners as opposed to their families (as dependents of employees). However, in this specific instance, this is a very close call situation made by the insurer. The family of a deceased partner surely would benefit by receiving prompt cash for that partner's share of the business. Also, the surviving partner and his family would benefit by not having to liquidate other personal assets in order to satisfy the buy-sell arrangement.

It still appears to me that group life may be assigned pursuant to AS21.42.270 so long as such an assignment does not cause a situation which would violate AS21.48.020. This holds true, in general, for all employees. The only time a problem enters in, is when the employee and the employer are one in the same person, as in the case of a partnership. I believe that AS21.48.020 could be interpreted, in the case of a partnership, so that assignment would be allowed. I would not be surprised if some insurers have not made that interpretation and are allowing for assignment in such instances as the above example. Even where jurisdictions expressly allow for assignment, many group insurers do not allow it because of the additionally complex administration involved. Otherwise, some economies of scale would be lost thus threatening the lower cost, group approach.

Back-up Information

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2515

DIVISION OF INSURANCE

February 11, 1986

The Honorable Fred Zharoff
Chairman
Senate Labor & Commerce Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Zharoff:

Re: HB 356 - Assignment of Group
Life Insurance

A number of questions concerning references to an Attorney General's Opinion were raised at the Senate Labor and Commerce hearing on HB 356 held on February 10, 1986. The suggestions of Mr. Jordan never resulted in a formal request for an Attorney General's Opinion. There were some casual discussions with the director at that time and the Attorney General's Office. The general drift of discussions at that time was, that in view of the potential impact from federal estate tax situations, the preferred method of dealing with the issue would be specific legislation to clarify the extent of assignment possible. The thinking was that interpretations would be subject to question where clear statutory language would probably not be so subject. I'm sorry that I did not anticipate the questions generated by the memo and accompany it with an explanation.

Very truly yours,



Donald P. Koch
Chief of Market Surveillance

DPK/me0220K
021186a

Memorandum to Don Koch
September 25, 1980
Page 2

Historically this has not been a very "hot" issue because of the small group life benefits offered in most schedules. However, this issue has come more to the forefront in the last few years due to the combination of larger amounts of group life offered to groups of lesser size. So, the market now has large amounts of group life coverage which can be issued to small employers who many times are partners interested in low cost ways to fund buy-sell arrangements. The partners can see a way to help provide for two needs - to fund a buy-sell arrangement and at the same time provide an employee benefit which, in theory, will help in retention of employees.

I think at this time we need an attorney general's opinion concerning this situation. If the opinion parallels my interpretation of AS21.48.020 in this circumstance, then we can state positively that assignment is allowable. If not, I think a legislated solution is in order. In either event, this will stop insurer's from using the code and the division's interpretation as excuses for not allowing group life assignment. For many insurers, I'm sure this is the most expedient and painless response to their marketing staff when confronted on this issue.

In any event, opposition to this interpretation or legislated solution will come from the individual product agent. They will see this as an infringement upon their private domain. This is so because there is no doubt that individual life policies can be assigned. However, I think competition would be good for this marketplace. Also, if partners are unable to assign group life benefits, they may reduce or even forgo entirely a group life program for their employees in order to have the capital for premiums for individual life policies to fund a buy-sell arrangement.

I would appreciate your thoughts on this issue both in general and in this specific circumstance. I think the time has come to address this issue with the attorney general.

State of Alaska

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
(Co-Chairman)
HOUSE JUDICIARY
HOUSE COMMUNITY AND
REGIONAL AFFAIRS



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4968

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

January 24, 1986

PRESS RELEASE

RE: HB 356, "Assignment of Group Life Insurance Policies"

Reduced federal taxes for Alaskans could result from legislation scheduled for a House floor vote today, according to Max Gruenberg, Anchorage Democrat and prime sponsor of HB 356, "Assignment of Group Life Insurance Policies."

The bill authorizes assignment of group life insurance policies by an insured person to another party.

"Forty-eight other states already have group life policies assignable by statute. By joining the other states, we correct an inequitable federal tax situation which discriminates against Alaskans," said Gruenberg.

"According to the IRS, for tax purposes you need specific statutory authorization to assign your group life policy to someone else. Without the authorization, IRS requires payment of estate taxes on the policy before the proceeds go to the heir."

"The reduction in federal tax income is insignificant, but the bill makes estate planning simpler and fairer for Alaskans," said Gruenberg.

Rep Gruenberg Press Release

CHAIRMAN'S INFORMATION:

- 1) BILL TITLE: "An act relating to assignment of group life policies of insurance."
 - a) Introduced: Rep Gruenberg
 - b) Co-sponsors: Taylor and Pe:tyjohn

- 2) INTENT: Measure authorizes "assignment" of group life insurance policies by an insured person to another party. The "assignment" creates a method for circumventing federal estate taxes and simplifies estate planning. 48 states currently have such statutory provisions.

FISCAL NOTE: 0

N.B. NO EFFECTIVE DATE CLAUSE

- 3) ADDITIONAL REFERRALS: Judiciary, Rules

- 4) PUBLIC HEARINGS:
 - a) Sponsor:
 - b) Public Witnesses:

- 5) BILL ACTION:
 - a) Hold in committee?
 - b) Assign to sub committee for further review?
 - c) Move from committee?
 - d) Close public hearings?

- 6) COMMITTEE ACTION?
 - a) amendments?
 - b) CS adoption?

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

House Labor & Commerce Committee 10/25/85, 10:00 am



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Gruenberg
FROM: Dave Donley *DB*
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 18 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.

LAW OFFICES
DAVIS & GOERIG
A PROFESSIONAL CORPORATION
405 WEST 36TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99503

TRIGG T. DAVIS
GEORGE E. GOERIG, JR.

TELEPHONE 561-4420
AREA CODE 907

February 25, 1985

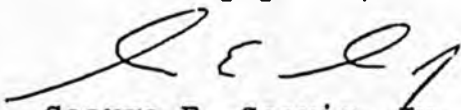
Richard S. Thwaites, Jr.
Chairman of the Alaska Bar Association
Probate Law Section
1031 West 4th Ave., Suite 500
Anchorage, AK 99501

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



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

20 February, 1986

MEMORANDUM:

TO: Senator Eliason, Vice Chairman
Senator Bennett
Senator Ray
Senator Sackett

FROM: Senator Zharoff, Chairman
Senate Labor and Commerce Committee

The Senate Labor and Commerce Committee announces a committee hearing to be held on Friday, February 21st, at 3:30pm in the Beltz Room. On the agenda will be CSHB55(fin)am, originally scheduled for Wednesday's meeting.

CSHB55(Fin)am: "An act relating to liquor licensees' duty to contact taxis for patrons and to display alcohol warning signs."

Wall St. Journal
2/20/81

50 CENTS

Unsafe Harbor

Alaska Pipeline Firm Is Accused of Polluting Sea Water Since 1977

Alyeska Documents Support Claims of Lax Procedures At Water-Treating Plant Company Insists It Complies

By ANDY PASZTOR and ROBERT E. TAYLOR
Staff Reporters of THE WALL STREET JOURNAL

First, federal inspector Dianne Soderlund noticed a layer of brownish scum on water ready to be discharged into Valdez harbor from the trans-Alaska oil pipeline's water-treatment plant. Later, when she spotted an oil slick at the same location, suspicion turned to alarm.

"It appears," she concluded, "there are significant operational problems at the facility." The plant is supposed to screen oil and toxic pollutants from huge quantities of ballast water poured into the harbor by tankers as they queue up at the pipeline terminal to load crude oil at the feet of majestic, snow-shrouded peaks.

But evidence is piling up that the plant hasn't been doing its job effectively and that sludge containing toxic pollutants isn't properly removed from water that the plant discharges back into the harbor.

Larger Questions

The preliminary warning from Ms. Soderlund to the Environmental Protection Agency came 17 months ago. Since then, a flurry of federal and state investigations has shaken public confidence in the pipeline's management and forced it to make costly improvements. The revelations also raise larger questions: Can state and federal officials adequately monitor pollution from such large, complex facilities? And why did it take them so long to act in this case?

Investigators have uncovered a history of questionable plant actions since the 1977 opening of the pipeline's huge southern terminal in Valdez, Alaska, which currently supplies roughly 15% of total U.S. oil needs. And the scrutiny is far from over. Still under investigation are the reasons why some pollution-control devices designed for the plant were never installed and others were disconnected or modified without notification to the EPA.

State probes are looking into further allegations of such criminal violations as submission of fraudulent environmental test results and false testimony to government regulators about potential hazards. Internal company documents show that some pipeline officials years ago suspected that the plant posed potential environmental hazards, but federal and state regulators contend that management failed to take steps to resolve the deficiencies until it was ordered to do so in the past few months.

Improprieties Denied

Alyeska Pipeline Service Co., which operates the pipeline for eight major oil companies, says that it has complied with all anti-pollution laws and that all allegations of record-tampering, improper discharges and other improprieties are unfounded. It calls the pipeline terminal's ballast-water treatment plant "probably the best and most modern" facility of its kind in the industry, arguing that the criticism is fanned by misunderstanding of plant operations.

The focus of all this attention is a sprawling complex of giant tanks and miles of piping designed to remove and dispose of harmful pollutants contained in the roughly 13 million gallons of ballast water discharged by tankers daily. Empty tankers take on ballast water for added stability on the voyage to Valdez, then pump it out to take on crude oil destined for the lower 48 states.

An EPA administrative order issued last summer accuses Alyeska of violating the treatment plant's water-discharge permit by systematically recirculating potentially harmful sludge. A second compliance order was issued in conjunction with Alaska's Department of Environmental Conservation. Government officials contend that transfers of oily water and sludge from tank to tank within the plant allowed high levels of potentially harmful pollutants to build up in the system over the years and flow unnoticed into the bay.

'Serious Threat'

Ihor Lysyj, the main consultant hired by the EPA, recently reported to the agency that the plant's deficiencies allow "uncontrolled quantities" of toxic pollutants to enter the harbor. He also informally told the agency that such pollution presents an "imminent and serious threat to the environment."

Mr. Lysyj, one of the country's leading experts on ballast-water treatment, estimates that the plant currently spews 1,600 pounds of pollution into the harbor every day, including "extremely toxic and hazardous substances." Assuming that that rate has remained steady since the pipeline began operations more than eight years ago, he calculates, the plant may have released enough potentially hazardous sludge to cover completely about four football fields three feet deep.

The EPA's consultant compares Alyeska's sludge-handling procedures to "vacuuming your house, dumping all the collected dust back on the carpet and then starting the whole process over again." Federal and state regulators are conducting tests to determine how much of the sludge ends up in the rich fishing grounds of Prince William Sound and whether there has been any damage to marine life.

Although pipeline executives deny vio-

Please Turn to Page 13, Column 1

Unsafe Harbor: Pollution of Ocean By Alaska Pipeline Firm Is Charged

Continued From First Page

lating any laws, they clearly are on the defensive. Under pressure from state and EPA officials, Alyeska appears to be spending millions of dollars to revise operating procedures, install new pollution controls and upgrade laboratory equipment at the treatment plant. The company also has promised to take additional steps that may be necessary to comply with what are likely to be more-stringent requirements for a new federal permit for continued operations at Valdez.

But local fishermen and some environmental groups complain that the state and EPA officials still haven't gone far enough. "The regulators did a very poor job over the years by failing to devote the necessary attention and expertise to supervise plant operations," contends Robert Blake, the president of the Cordova District Fishermen United and one of Alyeska's sharpest critics.

Budget Pressures

Some state and federal enforcement officials concede that budget pressures, staff shortages and the press of other business contributed to the problem. Harold Geren, the regional chief of the EPA's water-pollution-control programs, recalls hearing concerns from his staff about the adequacy of the treatment plant as far back as 1981. But work on permits for pulp mills, offshore oil rigs and other facilities, Mr. Geren says, diverted attention from Alyeska. "We've been hard-pressed keeping permits issued promptly," he says.

The original design called for the plant to remove sludge from the system and burn it in a large incinerator. But Alyeska never constructed the incinerator and says it wasn't legally required to do so. A spokesman says the company decided it was unnecessary because the amount of sludge produced in the beginning was less than anticipated. Alyeska has said it segregated and stored only 450 cubic yards of the stuff since operations began in 1977. Also, under standard procedure, some is channeled into outgoing crude oil.

State and federal officials argue that much more sludge than that should have been removed. They say its recovery was impaired by operating and equipment changes, many of which Alyeska made without the notification that EPA officials say is required. For instance, the company substituted small, paddlewheel skimmers for the large, sweeping arms designed to skim oily scum off the surface of one set of tanks; and it stopped using equipment designed to scrape sludge off the bottom of the same tanks and to heat water to separate it from oil.

Effectiveness Unimpaired?

Alyeska has told federal investigators that such changes didn't reduce the plant's effectiveness. But pipeline officials refuse to answer questions from *The Wall Street Journal* or discuss specifics until their discussions with the EPA are completed. Company officials previously said many of

the changes were intended to reduce costly maintenance problems. The company says it has fully complied with its water permit by generally curbing the plant's releases of oil, grease and three other oil pollutants specifically limited by the permit.

Investigators counter that the plant must be operated as efficiently as possible to remove all pollutants—regardless of whether they are explicitly mentioned in the permit. "There isn't any question that the practices we found are unacceptable, and they are violations of federal permit requirements," asserts Jamie Sikorski, former head of the EPA's clean-water compliance office for the region.

William Lamoreaux, a state environmental official who helped draft the plant's original operating permit, agrees. He says that a sludge pit, originally intended for temporary storage of wastes awaiting incineration, had been converted so that waste material was routinely pumped directly back into the ballast-water treatment tanks. Such recirculation of sludges was "never approved or contemplated by anyone involved at the beginning," Mr. Lamoreaux asserts.

For its part, Alyeska told the EPA in 1982 that toxic pollutants not specifically limited by the permit were found "in concentrations so low as to pose no possibility of significant or deleterious effects" on the port.

Earlier Documents

Nevertheless, company concerns about the amount of sludge generated by the plant—and what to do with it—have surfaced in internal Alyeska documents written at least as far back as 1978. In that year, the terminal's then superintendent, F.C. Jones, wrote a letter to engineers at Exxon Corp., one of the eight owners of the pipeline, complaining that the treatment plant "does not provide any facility to remove solids" and asking for their help in solving the problem. The letter went on to say that while some of the materials "exist in the water effluent," the plant's "high recirculation rate of solids is currently interfering in" the system's overall operation.

State and federal investigators are examining the letter, which was obtained separately by *The Wall Street Journal* along with other Alyeska documents on the plant. Exxon officials say they don't know what their company did in response to the letter. Alyeska documents say that an Exxon official studied the plant, found that the sludge disposal would cost at least \$1.5 million annually and urged instead that more oily waste be diverted into crude oil destined for outgoing tankers.

In December 1978, an internal memo from plant operators estimated that "solids have accumulated at a rate of 1 to 2 tons per day (dry basis)," which, if accurate, would be far more than Alyeska has claimed to have separated and stored. State and federal regulators say that the company appears to be leaning toward building an incinerator at the treatment

plant to dispose of stored sludge.

State officials also are investigating the adequacy of the pipeline's contingency plans for an oil spill. The EPA and congressional investigators are looking into allegations that Alyeska improperly used the treatment plant to dispose of some chemical wastes that didn't come from ballast water. And the state's attorney general has collected documents relating to Alyeska's earlier statements about sludge-handling and to the question of whether some plant workers may have been improperly exposed to harmful chemicals over the years.

Broker's Role

Some of the documents that investigators are using were obtained by Charles Hamel, an independent oil-transportation broker from Alexandria, Va. He has spearheaded criticism of Alyeska's management after contending that he suffered losses on some oil shipped through the pipeline that allegedly contained excess water. His allegations indirectly led to questions about the pollution-control practices at the plant, alerted Alaskan newspapers about the plant's apparent problems and prompted the EPA and the state to step up their investigations.

Investigators also have testimony from several former Alyeska employees claiming that their bosses encouraged or told them to tamper with pollution tests, report incorrect data and engage in other improper activities at the plant.

In sworn testimony to the Alaska Public Utilities Commission, Erlene J. Blake, a former plant laboratory technician, last year alleged it was "standard operating procedure at times" to "alter" such records. She told utility regulators that she was instructed to provide false reports to the EPA when the volume of treated water flowing into the terminal exceeded maximum federal limits.

James Woodle, a former marine superintendent at the terminal, told the utility commission that "problem areas were masked and records modified" to suggest normal conditions at the treatment plant. Mr. Woodle also testified that plant operators were under instruction to disregard required safeguards if necessary in order to deal with unusually heavy incoming ballast flows. The operating principle, he said, was, "Just empty the tanks and make room."

Mr. Woodle is suing Alyeska, alleging that he was unfairly forced to leave the company before the investigations started. The company won't comment on the pending litigation.

Bill Röss, Alaska's top environmental official, several months ago confirmed that state officials, "working in concert with" the EPA, are conducting interviews and combing through Alyeska files to determine "whether any criminal violations may have occurred."

Many questions about the "sludge problem" at Valdez remain unanswered. But even the preliminary conclusions reached so far worry many scientists. David Shaw, a professor at the University of Alaska's Institute of Marine Sciences, who has studied Valdez harbor for Alyeska since the late 1970s, says of the increasing pollution on the sea bottom there: "I'm concerned it could be the tip of a serious problem."



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

20 February, 1986

MEMORANDUM:

TO: Senator Eliason, Vice Chairman
Senator Bennett
Senator Ray
Senator Sackett

FROM: Senator Zharoff, Chairman
Senate Labor and Commerce Committee

The Senate Labor and Commerce Committee announces a committee hearing to be held on Friday, February 21st, at 3:30pm in the Beltz Room. On the agenda will be CSHB55(fin)am, originally scheduled for Wednesday's meeting.

CSHB55(Fin)am: "An act relating to liquor licensees' duty to contact taxis for patrons and to display alcohol warning signs."

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

FISCAL DETAIL

Bill/Resolution No. : SCS CSHB 28 (Fin)
 Title : Special appropriation from PF undistributed income to PF principal

Agency Affected : Department of Revenue

BRU : _____

Sponsor : Duncan

Components : _____

Requestor : _____

Date of Request : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
----------------	--	---	---	---	---	---

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

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

POSITIONS :

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The Department of Revenue estimates that \$1,017,400,000 will be deposited into the principal of the Permanent Fund from the Undistributed Income Account on July 1, 1986.

Prepared by : Jan Faiks, Co-chairman

Phone : 465-4523

Division : Senate Finance Committee

Date : 2/19/86

Approved by Commissioner : _____

Date : _____

Agency : _____

Distribution (by Agency preparing fiscal note) :

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



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

20 February, 1986

MEMORANDUM:

TO: Senator Eliason, Vice Chairman
Senator Bennett
Senator Ray
Senator Sackett

FROM: Senator Zharoff, Chairman
Senate Labor and Commerce Committee

The Senate Labor and Commerce Committee announces a joint hearing with the Senate Judiciary Committee to be held on Wednesday, February 26th, at 3:00pm in the Senate Finance Chambers. The agenda for the meeting will be a presentation on insurance.

HB 356: "AN ACT RELATING TO THE ASSIGNMENT OF GROUP LIFE
POLICIES OF INSURANCE."

THIS MEASURE WOULD ALLOW THE "ASSIGNMENT" OF GROUP LIFE
INSURANCE POLICIES, PROVIDING A MEANS OF REDUCING FEDERAL
ESTATE TAXES, AND SIMPLIFYING THE ESTATE PLANNING PROCESS.

IF A PERSON OTHER THAN THE INSURED IS ASSIGNED A POLICY, THE
PROCEEDS DO NOT PASS THRU THE INSURED'S ESTATE, AND THUS ARE
NOT SUBJECT TO FEDERAL ESTATE TAX.

CURRENTLY, 48 STATES HAVE PASSED SIMILAR LEGISLATION. WITHOUT
STATUTORY AUTHORIZATION, THE IRS REQUIRES PAYMENT OF ESTATE
TAXES ON THE POLICY BEFORE THE PROCEEDS GO TO THE HEIR. I
URGE SUPPORT FROM THE BODY.

Introduced: 4/8/85
Referred: Labor & Commerce
and Judiciary

BY GRUENBERG, TAYLOR AND
PETTYJOHN

1 IN THE HOUSE

2 HOUSE BILL NO. 356

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to assignment of group life policies
7 of insurance."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 21.42.270 is amended to read:

10 Sec. 21.42.270. ASSIGNMENT OF POLICIES. A policy may be assign-
11 able or nonassignable, depending upon its terms. Subject to its terms
12 relating to its assignability, a life, group life or disability
13 policy, whether issued before or after July 1, 1966, under the terms
14 of which the beneficiary may be changed upon the sole request of the
15 insured, may be assigned either by pledge or transfer of title by an
16 assignment executed by the insured alone and delivered to the insurer,
17 whether or not the pledgee or assignee is the insurer. The assignment
18 entitles the insurer to deal with the assignee as the owner or pledgee
19 of the policy in accordance with the terms of the assignment until the
20 insurer has received at its home office written notice of termination
21 of the assignment or pledge, or written notice by or on behalf of some
22 other person claiming an interest in the policy which is in conflict
23 with the assignment.

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

CC
4/26

Revision Date: _____

REQUEST

Bill/Resolution No.: HR 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						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
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 H. 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)

2219WB42585a

Fiscal Note