

SB

157

<TARGET><BILL>SB 157</BILL><SUBJECT>SB
157</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108



Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

Senate Bill 157 Sponsor Statement

It is a generally accepted principle in the insurance business that insurers should be able to cancel policies where changing circumstances have increased the risk insured against. The abandonment of a home is surely one of those changed circumstances. Unfortunately, it is not among the limited and very specific conditions in Alaska law under which an insurer may cancel a policy. Rather, Alaska statute provides that a policy may be cancelled if there are "physical changes" to the property that render it uninsurable, an ambiguity when regarding abandoned property.

Almost every other state has a statute that allows for cancellation explicitly of abandoned property – the commonly use legal phrase is "unoccupancy or vacancy" – or generally whenever the hazard insured against increases. Senate Bill 157 would clarify Alaska statute by providing for cancellation where the unoccupancy or vacancy of property increases a hazard insured against.

The Division of Insurance does not object to adding this reason for cancellation and approves of the language that would be added to statute by this bill.

I welcome your support for this legislation.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version SB 157
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) SB157-DCCED-INS-01-19-12 Dept. Affected DCCED
Title Cancel Insur. On Certain Vacant Property Appropriation Insurance
Allocation Insurance
Sponsor Senate Labor & Commerce
Requester Senate Labor & Commerce OMB Component Number 354

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by Linda S. Hail, Director
Division Insurance
Approved by Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone 907-465-2560
Date/Time 1/19/12 12:00 AM
Date 1/21/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 157

Analysis

SB 157 allows an insurer to cancel an insurance policy if the property becomes unoccupied or vacant which increases the hazard insured against.

No fiscal impact is anticipated as a result of this legislation.

LESSMEIER & WINTERS

LAWYERS - LLC

8390 AIRPORT BOULEVARD
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JUNEAU, ALASKA 99801

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January 25, 2012

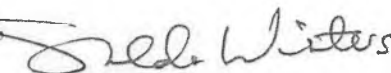
Senate Committee on Labor & Commerce
Alaska State Senate
Room 105, Thomas Stewart Building
Juneau, Alaska 99801

Re: SB 157 — Cancellation of Insurance on Vacant or Unoccupied Property

Dear Senate Labor & Commerce Committee:

State Farm strongly supports SB 157. It is universally accepted that insurers must be able to cancel insurance where the risk has changed. In line with this, almost every other state has a statute that allows cancellation of insurance on property that has become vacant or unoccupied, or even more broadly allows cancellation whenever the risk increases. Unfortunately, it has come to our attention that Alaska's cancellation statute is less than clear. SB 157 would clarify that in Alaska, like the vast majority of other states, insurance may be cancelled when the insured property becomes vacant or unoccupied which increases a hazard insured against. This simple yet important bill is also supported by the National Association of Mutual Insurance Companies, who has 73 members writing insurance in Alaska representing 34% of the P & C market. Please consider moving this bill out of your committee.

Sincerely,



Sheldon E. Winters

Lobbyist for State Farm Insurance Companies

SEW/lg

Senate L & C letter in support.wpd



Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

Kenton Brine
Assistant Vice President, NW Region

January 26, 2012

The Hon. Dennis Egan
Chairman, Senate Labor & Commerce Committee
510 State Capitol Building
Juneau, Alaska 99801-1182

CC: Members of the Senate Labor & Commerce Committee
RE: PCI supports SB 157

Dear Rep. Egan,

On behalf of the members of the Property Casualty Insurers Association of America, I write today in support of proposed SB 157, a measure which would allow insurers to cancel policies on a property if the property has been abandoned by the insured and the vacancy increases the hazard being insured.

Under AS 21.36.210, allowable reasons for cancellation of an insurance policy are specifically listed. They include non-payment of premiums, the commission of a crime that increases the hazard that the policy is written to pay against and fraud or misrepresentation committed by the insured. HB 157 is a straightforward effort to recognize and respond to the reality that the vacancy of a property that leaves the property at higher risk for damage due to fire, vandalism or illegal use changes the nature of the risk undertaken by an insurer.

SB 157 is responsible legislation that could help reduce insurance claims costs and help insurers manage the overall cost of insurance coverage for Alaska consumers. PCI, whose members write roughly 40 percent of the property & casualty insurance in force in the United States today, support passage of SB 157.

Please contact me or PCI's Alaska lobbyist, Kris Knauss (907.351.2524, knauss@gci.net), if we can provide additional information.

Thank you for your consideration.

Regards,

A handwritten signature in cursive script that reads "Kenton Brine".

Kenton Brine
1500 Water Street SW, Ste 2
Olympia, WA 98501
Kenton.brine@pciaa.net
360.915.6268 office
360.481.6539 mobile
360.915.6278 fax



March 4, 2012

The Honorable Dennis Egan, Chair
Senate Labor & Commerce Committee
State Capitol Building
Juneau, Alaska 99801-1182

RE: Senate Bill 157

Dear Senator Egan

The Alaska Association of Realtors wishes to respectfully inform you of our opposition to SB 157 in both the original and amended form.

While the amended language may look reasonable on the surface, it still leaves too much open for interpretation by the insurance carrier. The new language allows the insurer to be the one to determine "vacancy", certainly with the ability to determine vacancy to its own advantage. We believe that, even with the new language, the determination can be quite subjective and can be used against many Alaskan property owners.

There is no protection for the homeowner who needs to relocate while their house is being marketed. There is no protection for the homeowner who moves out of the home because it is scheduled to close but the sale falls through. There is no protection for the members of our armed forces who are relocated and must leave their house vacant while trying to rent or sell. There is no protection for the owner who is renting their home out and is between tenants. There is no protection for the estate when the executor cleans out the family home and makes it ready to go on the market. In all these examples and all those that we can add to this list it is up to the insurance carrier to decide what the definition of "entire abandonment of the property" means.

If this law is allowed to pass, it is likely to greatly increase the probability that many Alaskans will face foreclosure. Many homeowners are barely able to maintain the current finances on their home while they are diligently trying to sell or rent the home out. If their insurance is canceled and they can't find another carrier or can't afford the bank mandated policy they will find themselves facing foreclosure.

SB 157 opens a dangerous door allowing insurance companies to use subjective measures to terminate coverage for their own self-interest. It does not provide for an insured to protect themselves from unfair practices of an insurance company. We urge defeat of this bill for the protection of home ownership for Alaskans.

Respectfully Submitted,

David Somers

Industry Issues Chair for the Alaska Association of Realtors

cc: Senate Community and Regional Affairs Committee

Sent: Friday, January 27, 2012 4:33 PM

To: Sen. Cathy Giessel

Subject: RE: your thoughts on SB 157 & 158

Bill 157-canceling an insurance policy for unoccupied property:

I think there should be a minimum time that the property is unoccupied before the insurance can be canceled. The way it's presently written, the insurance can be cancelled if the property is unoccupied for 5 minutes. This seems unfair to the property owner. Comment by Ron Aksamit

BILL 157

Think it sucks for an insurance co to be able to cancel the insurance if property goes vacant.

If I have paid my dues for 30 years in insurance with No claims and then due to illness or other "disaster" have to leave the property vacant for a week, they can cancel.. bad

Eva Loken

Alaska State Legislature

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Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettie Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

MEMORANDUM

DATE: February 29, 2012

TO: Senator Donny Olson
Chair, Community and Regional Affairs Committee

FROM: Senator Dennis Egan
Chair, Senate Labor & Commerce Committee

RE: request for hearing Senate Bill 157

It is a generally accepted principle in the insurance business that insurers should be able to cancel policies where changing circumstances have increased the risk insured against. The abandonment of a home is surely one of those changed circumstances. Unfortunately, it is not among the limited and very specific conditions in Alaska law under which an insurer may cancel a policy. Rather, Alaska statute provides that a policy may be cancelled if there are "physical changes" to the property that render it uninsurable, an ambiguity when regarding abandoned property.

Almost every other state has a statute that allows for cancellation of insurance when a property owner has abandoned the property. The Labor & Commerce version of Senate Bill 157 would clarify Alaska statute by providing for cancellation in such cases where the property has been left vacant and that vacancy increases a hazard insured against.

The Division of Insurance does not object to adding this reason for cancellation and approves of the language that would be added to statute by this bill.

I would appreciate your hearing this bill at your earliest convenience.

Please direct questions to committee staff, Dana Owen, 465-3881.