

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 85 cont. thru SB 88

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1 the fine established in the schedule for the violation. The person to
2 whom the notice is directed may pay the fine within 15 days after
3 receiving the notice or may file a notice of defense under AS 15.14.-
4 300.

5 (c) If the person does not pay the fine under (b) of this sec-
6 tion, the notice of fine constitutes an accusation under AS 15.14.290
7 and the commission shall proceed against the person under AS 15.14.-
8 290 - 15.14.320 and, upon determining that the person committed the
9 violation, may impose a penalty for the violation not to exceed the
10 maximum provided for the violation under AS 15.14.240.

11 Sec. 15.14.340. CONFIDENTIALITY. (a) An investigation by the
12 commission under AS 15.14.280 is confidential unless and until the
13 investigation results in the filing of an accusation under AS 15.-
14 14.290.

15 (b) A member or a former member of the commission and an em-
16 ployee or a former employee of the commission may not divulge the fact
17 of or any particular concerning a pending, past, or contemplated
18 investigation by the commission unless and until the filing of an
19 accusation by the commission except as is necessary for the commission
20 to conduct an investigation.

21 (c) Knowing violation of the provisions of (b) of this section
22 is a class A misdemeanor.

23 Sec. 15.14.350. JUDICIAL REVIEW. Judicial review of a final
24 order of the commission may be had by filing a notice of appeal under
25 applicable rules of court governing appeals from administrative agen-
26 cies.

27 Sec. 15.14.360. POWERS OF THE COMMISSION. (a) In connection
28 with an investigation or hearing under AS 15.14.280 - 15.14.320,
29 AS 24.45, or AS 39.50, the commission may compel the attendance of

1 witnesses and production of papers, books, records, accounts, docu-
2 ments, and testimony, and may have the depositions of witnesses taken
3 in a manner prescribed by court rule or law for the taking of depo-
4 sitions in civil actions when consistent with the powers and duties
5 assigned to the commission by law.

6 (b) The commission may examine the papers, books, records,
7 accounts and documents of a person subject to this chapter to deter-
8 mine the correctness of a report filed with the commission or in
9 conjunction with an investigation or inspection conducted under (a) of
10 this section.

11 (c) Subpoenas may be issued and shall be served in the manner
12 prescribed by AS 44.62.430 and court rule. The failure, refusal, or
13 neglect to obey a subpoena is punishable as contempt in the manner
14 prescribed by law or court rule. The superior court may compel obedi-
15 ence to the commission's subpoena in the same manner as prescribed for
16 obedience to a subpoena issued by the court.

17 Sec. 15.14.370. LEGAL COUNSEL. (a) The attorney general is
18 legal counsel for the commission. The attorney general shall advise
19 the commission in legal matters arising out of the discharge of its
20 duties and represent the commission in actions to which it is a party.

21 (b) When the public interest warrants, and if the attorney
22 general concurs, the commission may employ temporary legal counsel
23 from time to time in matters in which the commission is involved.

24 ARTICLE 6. GENERAL PROVISIONS.

25 Sec. 15.14.900. DEFINITIONS. In this chapter

26 (1) "candidate" means an individual who

27 (A) files for election to the state legislature, for
28 governor, for lieutenant governor, for municipal office, for
29 retention in judicial office, or for constitutional delegate;

1 (B) campaigns as a write-in candidate for an elective
2 office; or

3 (C) accepts contributions totalling \$1,000 or more in
4 the aggregate from another person or political action committee
5 for the purpose of seeking elective office or retention in judi-
6 cial office;

7 (2) "contribution"

8 (A) means the purchase, payment, promise or obligation
9 to pay, loan or loan guarantee, deposit or gift of money, goods
10 or services for which charge is ordinarily made and that is made
11 for the purpose of influencing the nomination or election of a
12 candidate or for the purpose of influencing a ballot proposition
13 or question, including the payment by a person other than a
14 candidate or political party, of compensation for the personal
15 services of another person that are rendered to the candidate or
16 political party;

17 (B) does not include

18 (i) services provided without compensation by an
19 individual volunteering on behalf of a candidate or ballot
20 proposition or question, unless the services are volunteered
21 by an individual who would ordinarily be paid a fee or wage
22 for the services;

23 (ii) services provided by an accountant or other
24 person to prepare reports and statements required by this
25 chapter;

26 (iii) services provided by an attorney relating to
27 AS 15;

28 (iv) ordinary hospitality in a home;

29 (3) "expenditure"

1 (A) means a purchase or a transfer of money or any-
2 thing of value or a promise or agreement to purchase or transfer
3 money or anything of value, incurred or made for the purpose of
4 (i) influencing the nomination or election of a
5 candidate or of any individual who files for nomination at a
6 later date and becomes a candidate;
7 (ii) influencing the outcome of a ballot proposi-
8 tion or question; or
9 (iii) providing payment of compensation for the
10 personal services of another person that are rendered to a
11 candidate or political party;
12 (B) does not include a candidate's filing fee or the
13 cost of preparing reports and statements required by this chap-
14 ter;
15 (4) "individual" means a natural person;
16 (5) "influencing the outcome of a ballot proposition or
17 question" includes the efforts necessary to place an initiative or
18 referendum on the ballot;
19 (6) "municipality" has the meaning given in AS 01.10.060;
20 (7) "person" has the meaning given in AS 01.10.060 but does
21 not include an entity organized to influence an election;
22 (8) "political action committee"
23 (A) means a person or combination of persons that
24 accepts contributions for the purpose of influencing an election
25 and exercises discretion over the expenditure of the
26 contributions;
27 (B) but does not include a political party and its
28 state, regional, or local subdivisions;
29 (9) "political party"

1 (A) means a group of organized voters that
2 (i) claims to represent a political program; and
3 (ii) nominated a candidate for governor who re-
4 ceived at least five percent of the total vote cast at the
5 preceding general election for governor;

6 (B) does not include the campaign committee of a
7 candidate.

8 * Sec. 2. AS 11.56.130 is amended to read:

9 Sec. 11.56.130. DEFINITION. In AS 11.56.100 - 11.56.130, "bene-
10 fit" has the meaning given [ASCRIBED TO IT] in AS 11.81.900 but does
11 not include

12 (1) political campaign contributions reported under AS 15.-
13 14 [IN ACCORDANCE WITH AS 15.13];

14 (2) concurrence in official action in the cause of legiti-
15 mate compromise between public servants; or

16 (3) support, including a vote, solicited by a public ser-
17 vant or offered by any person in an election.

18 * Sec. 3. AS 15.56 is amended by adding a new section to read:

19 Sec. 15.56.025. UNLAWFUL SOLICITATION OF CONTRIBUTIONS. (a) A
20 person commits the crime of unlawful solicitation of campaign contri-
21 butions if the person intentionally solicits a campaign contribution
22 through a threat of physical force, job discrimination, or financial
23 reprisal.

24 (b) Unlawful solicitation of campaign contributions is a class C
25 felony.

26 * Sec. 4. AS 24.45.021(a) is amended to read:

27 (a) This chapter shall be administered by the Alaska Public
28 Offices Commission established [CREATED] under AS 15.14.020 [AS 15.-
29 13.020(a)].

1 * Sec. 5. AS 24.45.091 is amended to read:

2 Sec. 24.45.091. PUBLICATION OF REPORTS. Copies of the state-
3 ments and reports filed under this chapter shall be made available to
4 the public at the commission's central office, the office of the
5 lieutenant governor, the legislative reference library of the Legisla-
6 tive Affairs Agency, and at the commission's district offices [PRE-
7 SCRIBED IN AS 15.13.020(j)] as soon as practicable after each re-
8 porting period.

9 * Sec. 6. AS 24.60.080 is amended to read:

10 Sec. 24.60.080. GIFTS. Unless otherwise provided for under
11 AS 24.60.030, a person to whom this chapter applies may not solicit a
12 gift in any amount, or accept or receive, directly or indirectly, a
13 gift, whether in the form of money, services, a loan, travel, enter-
14 tainment, hospitality, or other form, if the gift was intended as a
15 reward or inducement for an official action by the person. A gift of
16 travel and hospitality within the state received by a member of the
17 legislature in obtaining information on matters of legislative concern
18 is not prohibited by this section, nor are political contributions
19 received and reported under AS 15.14 [AS 15.13.040].

20 * Sec. 7. AS 29.20.170 is amended to read:

21 Sec. 29.20.170. VACANCIES. The governing body may provide by
22 ordinance the manner in which a vacancy occurs in any elected office
23 except the office of mayor or school board member. Unless otherwise
24 provided by ordinance, the governing body shall declare an elective
25 office, other than the office of mayor or school board member, vacant
26 when the person elected

27 (1) fails to qualify or take office within 30 days after
28 election or appointment;

29 (2) is physically absent from the municipality for 90

1 consecutive days unless excused by the governing body;

2 (3) resigns and the resignation is accepted;

3 (4) is physically or mentally unable to perform the duties
4 of office as determined by two-thirds vote of the governing body;

5 (5) is convicted of a felony or of an offense involving a
6 violation of the oath of office;

7 (6) is convicted of a felony or misdemeanor described in
8 AS 15.56 and two-thirds of the members of the governing body concur in
9 expelling the person elected;

10 (7) is convicted of a misdemeanor under former [VIOLATION
11 OF] AS 15.13 or is found to have committed a violation in the first
12 degree under AS 15.14.230;

13 (8) no longer physically resides in the municipality and
14 the governing body by two-thirds vote declares the seat vacant; or

15 (9) if a member of the governing body, misses three con-
16 secutive regular meetings and is not excused.

17 * Sec. 8. AS 29.20.280(a) is amended to read:

18 (a) The governing body shall, by two-thirds concurring vote,
19 declare the office of mayor vacant only when the person elected

20 (1) fails to qualify or take office within 30 days after
21 election or appointment;

22 (2) unless excused by the governing body, is physically
23 absent for 90 consecutive days;

24 (3) resigns and the resignation is accepted;

25 (4) is physically or mentally unable to perform the duties
26 of office;

27 (5) is convicted of a felony or of an offense involving a
28 violation of the oath of office;

29 (6) is convicted of a felony or misdemeanor described in

1 AS 15.56;

2 (7) is convicted of a misdemeanor under former [VIOLATION
3 OF] AS 15.13 or is found to have committed a violation in the first
4 degree under AS 15.14.230;

5 (8) no longer physically resides in the municipality; or

6 (9) if a member of the governing body in a second class
7 city, misses three consecutive regular meetings and is not excused.

8 * Sec. 9. AS 39.50.050(a) is amended to read:

9 (a) The Alaska Public Offices Commission established [CREATED]
10 under AS 15.14.020 [AS 15.13.020(a)] shall administer the provisions
11 of this chapter. The commission shall prepare and keep available for
12 distribution, standardized forms on which the reports required by this
13 chapter shall be filed.

14 * Sec. 10. AS 39.50.200(a)(3) is amended to read:

15 (3) "commission" means the Alaska Public Offices Commis-
16 sion established [CREATED] under AS 15.14.020 [AS 15.13.020(a)];

17 * Sec. 11. AS 39.50.200(b) is repealed and reenacted to read:

18 (b) In this chapter "state commission or board" means the

19 (1) Agricultural Revolving Loan Fund Board (created admin-
20 istratively to assist in administration of AS 03.10);

21 (2) Alaska Coastal Policy Council members and their alter-
22 nates (AS 44.19.155);

23 (3) Alaska Commercial Fisheries Entry Commission (AS 16.-
24 43.020);

25 (4) Alaska Commission on Postsecondary Education (AS 14.-
26 42.015);

27 (5) Alaska Energy Center (AS 46.12);

28 (6) Alaska Housing Finance Corporation (AS 18.56.010 -
29 18.56.210);

- 1 (7) Alaska Judicial Council (art. IV, sec. 8, Alaska Con-
2 stitution);
- 3 (8) Alaska Medical Facility Authority (AS 18.26.010 -
4 18.26.900);
- 5 (9) Alaska Municipal Bond Bank Authority (AS 44.85.020);
- 6 (10) Alaska Power Authority public directors (AS 44.83.030);
- 7 (11) Alaska Oil and Gas Conservation Commission (AS 31.05.-
8 005 - 31.05.170);
- 9 (12) Alaska Public Broadcasting Commission (AS 44.21.256);
- 10 (13) Alaska Public Offices Commission, including the execu-
11 tive director and employees of the commission (AS 15.14.020);
- 12 (14) Alaska Public Utilities Commission (AS 42.05.010);
- 13 (15) Alaska Resources Corporation (AS 37.12.010);
- 14 (16) Alaska Royalty Oil and Gas Development Advisory Board
15 (AS 38.06.020);
- 16 (17) Alaska Seafood Marketing Institute (AS 16.51.010);
- 17 (18) Alaska State Council on the Arts (AS 44.27.040);
- 18 (19) Alaska State Building Authority (AS 18.55.020);
- 19 (20) Alaska Teachers' Retirement Board (AS 14.25.035);
- 20 (21) Alcoholic Beverage Control Board (AS 04.06.010);
- 21 (22) Board of Education (AS 14.07.075);
- 22 (23) Board of Fisheries (AS 16.05.221(a));
- 23 (24) Board of Game (AS 16.05.221(b));
- 24 (25) Board of Parole (AS 33.16.020);
- 25 (26) Board of Trustees and executive director of the Alaska
26 Permanent Fund Corporation (AS 37.13.040);
- 27 (27) Commission on Judicial Conduct (art. IV, sec. 10,
28 Alaska Constitution);
- 29 (28) Council on Domestic Violence and Sexual Assault

- 1 (AS 18.66.010);
- 2 (29) Employment Security Advisory Council (AS 23.20.025);
- 3 (30) Fishermen's Fund Advisory and Appeals Council (AS 23.-
- 4 35.010);
- 5 (31) Governor's Commission on the Administration of Justice
- 6 (AS 44.19.110);
- 7 (32) Guide Board (AS 08.54.010);
- 8 (33) Local Boundary Commission (AS 44.47.565);
- 9 (34) Occupational Safety and Health Review Board (AS 18.60.-
- 10 057);
- 11 (35) Public Employees' Retirement Board (AS 39.35.030);
- 12 (36) State Assessment Review Board (AS 43.56.040);
- 13 (37) State Commission for Human Rights (AS 18.80.010);
- 14 (38) State Personnel Board (AS 39.25.060);
- 15 (39) University of Alaska Board of Regents (AS 14.40.120);
- 16 (40) Workers' Compensation Board (AS 23.30.005).

17 * Sec. 12. AS 44.62.330(a)(39) is amended to read:

18 (39) Alaska Public Offices Commission except to the extent

19 that AS 44.62.350 - 44.62.630 is inconsistent with AS 15.14.280 -

20 15.14.360

21 * Sec. 13. AS 15.13 and AS 15.56.010(1) and (2) are repealed.

22 * Sec. 14. Alaska Public Office Commission members serving on the

23 effective date of this Act continue to serve out their terms as provided

24 under AS 15.13.020, repealed in sec. 13 of this Act. Vacancies occurring

25 on or after January 1, 1988, shall be filled in accordance with AS 15.14.-

26 020 enacted in sec. 1 of this Act.

27 * Sec. 15. Notwithstanding AS 15.14.010(b) as enacted in sec. 1 of this

28 Act, the election of a municipality held under former AS 15.13.010(a) to

29 exempt its officers from the application of AS 15.13 is confirmed as an

1 exemption from the application of AS 15.14.

2 * Sec. 16. In accordance with AS 15.14.190 as enacted in sec. 1 of this
3 Act, a candidate shall, no later than January 31, 1988, close each campaign
4 account relating to a campaign for an election held before January 1, 1988,
5 unless the campaign has outstanding debts. If the campaign has outstanding
6 debts, the candidate may keep campaign accounts open after January 31,
7 1988, but shall close each campaign account within 30 days after all debts
8 have been paid and in no event later than January 1, 1989, whether or not
9 there are outstanding debts remaining on that date. During the time that
10 an account remains open under this section, contributions may be solicited
11 and accepted and expenditures made only for the purpose of retiring out-
12 standing debts of a campaign for an election held before January 1, 1988.
13 An outstanding campaign debt remaining on January 1, 1989, becomes the
14 personal debt of the candidate.

15 * Sec. 17. This Act applies to election campaign activities that take
16 place after January 1, 1988.

17 * Sec. 18. This Act takes effect January 1, 1988.

SB 85
February 28, 1986

Senate Community & Regional Affairs
Teleconference
CSSB 356(SA)

MAR 04 1987

LEGISLATIVE FINANCE

My name is Jean Rogers. I'm the chairman of the Alaska Public Offices Commission. Arlayne Knox from Fairbanks who is the vice-chairman of the Commission is here with me as is our newest member, Annie Laurie Howard of Anchorage. Yesterday afternoon the Commission spent some time discussing the bill before you. We find there are things in the bill we support and things in the bill we oppose. I'll try to give you a few examples of each in just a moment.

But first, the members of the Commission wish to point out that this bill is very different from both the one that was initially introduced into State Affairs and from the proposals which received public testimony in October. Quite frankly, with such complex language on a subject of intense public interest, a proposal needs to be put on the table and left there in the same form long enough for people to obtain a copy, read it, and think about it before they testify. Unless that is done, the debate takes place only on a few key issues and many other critical provisions are adopted without scrutiny.

All fall the public discussion centered on Mr. Gross's proposal to abolish the contribution limitation. Now we know that provision is not to be part of the language, but the debate about that proposal has created the impression that everyone knows what's in the bill.

With respect to the the provisions we discussed yesterday, we were reviewing the State Affairs Committee Substitute dated February 24th. The items we like the most include the registration section for candidates and political action committees, the codification of independent expenditures, the requirement to terminate a campaign, the ban on solicitations under force or in public offices. While there may well be room for improvement in these sections, we believe the concepts to be good ones and worth pursuing.

Now let me turn to the provisions which give us the most concern. They are listed in the order they appear in the bill.

Page 18, line 27, subsection 150(a) - As you know we do not support the continuation of contributions by subsidiaries. The records of the past two elections amply illustrate how the limitation is undermined by this practice.

Page 19, line 1, subsection 150(b) - The law needs to spell out that any kind of prohibited contribution must be returned whether was anonymous, in the name of another, in a fictitious name, an excess contribution, etc. We have found case law elsewhere that suggest both the present statute and the proposal before you are inadequate on this subject.

Page 19, line 11, subsection 150(c) - If a person is allowed 10 days to return a prohibited contribution, then the Commission will end up

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with cases where the issue is what to do about someone who returned a contribution in 11 days, or 12 days or 13 days. Complainants frequently use such provisions to their advantage. It would make more sense to require immediate return and give the Commission room to consider the facts in a specific situation.

Page 20, line 21, subsection 160(e) -- Much has already been said about the language which undermines the requirement to list deputy treasurers. Those of us who believe the public has the right to know who's carrying around campaign money would like to know how a person could solicit a contribution and carry it to a campaign without exercising any discretion over the identify of the campaign or the amount of the contribution. The real bagmen in life don't say, "I hope you give a contribution of some amount to some candidate and if you do, I'll take it to them." That's the only behavior this language would sanction.

Page 21, line 4, subsection 160(f) - This language parrots existing law about the responsibility of candidates. Our experience has shown that there's much room for improvement with respect to the candidates and the organizers of groups being required to be responsible. Anything you can do to strengthen this language would be appreciated.

Campaign Violations in the 1st and 2nd degree - subsections 220 and 230. Although it appears the Commission could levy substantial fines for 1st degree violations, that would be unlikely. In order to assess the larger fines, the Commission would have to prove by clear and convincing evidence that an act was taken with intent to avoid disclosure. This standard of proof is unreasonably high and would mean few penalties at the higher levels. In the second degree area, we feel that the fines may be too low.

Page 32, Statute of Limitations, section 260 - the term should be 4 years for both kinds of violations, especially since 4-year terms of office are covered by this law.

Page 36, subsection 310(b), "ban on plea bargaining," - The Commission staff serves at the pleasure of the Commission; those who are unhappy with its performance are most welcome to write and let us know.

Page 38, subsection 330, confidentiality - Even if we supported the premise - and we're not sure we do - this language is flawed. The confidentiality requirement is clearly imposed on the Commission and its staff but the complainant would still be free to talk. The language forbids discussion if no accusation is ever filed. Certainly the public has an interest in what cases are dismissed and why. The language in subsection (b) is so prohibitive that it might be illegal to conduct an investigation. If a subpoena were issued with the name of the respondent on it, such could be construed as divulging the existence of an investigation.

That concludes my remarks on behalf of the Commission. Thank you for this opportunity and for the special effort you made to arrange this teleconference. We're most appreciative.

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11/28/86

ALASKA PUBLIC OFFICES COMMISSION

1987 Legislative Proposal Recommendations

AS 15.13 - Campaign Disclosure

MAR 04 1987

LEGISLATIVE FINANCE

Introduction

The volume and complexity of campaign financing has outstripped the Law's ability to provide meaningful disclosure and effective enforcement. Public interest in information concerning the sources of campaign financing has grown with the cost of campaigns. Campaigns, contributors, and voters all express dismay at the increased costs and the fund-raising efforts required to support those costs.

The recommendations which follow are intended to reduce the sources of campaign funding and to increase the tools for enforcing those restrictions. Additional recommendations address loopholes in the current statute which allow the organization of last minute efforts to influence elections without adequate notice to the public or the affected campaigns.

Recommendations are also made to reduce the applicability of the chapter in areas where campaign activity is limited.

1. Contribution Limitation - AS 15.13.070(a)

The Commission recommends a comprehensive revision of the type of allowable contributor. The effect of the recommendations is listed below. Attachment A compares present law with the proposal. The effect of the proposal on contributors is:

- a. Individuals may give \$1,000 in a calendar year to a candidate, a group, or a district party subdivision, and may give unlimited amounts to a state party central committee.
- b. A group may make no contribution whatsoever to a candidate, another group, or a political party. Group efforts would be restricted to supporting or opposing ballot issues and to making independent expenditures for or against a candidate.
- c. District party subdivisions could give unlimited amounts to a candidate or to their state central committee, make no contributions to groups, and give \$1,000 to another district subdivision.
- d. The state central committee of a political party could give unlimited amounts to a candidate, make no contributions to groups, and give \$1,000 to district subdivisions. The proposal does not allow for national party organizations to contribute to candidates.

- e. Corporate, union, and partnership contributions are banned entirely on the grounds that contribution decisions by such entities are made by individuals, frequently the same individuals who are giving funds personally. Additional consideration should be given to language banning contributions by unincorporated associations which do not qualify as groups under the definition in AS 15.13.130(4).

The effect of the proposal on recipients is:

- a. Candidates may receive \$1,000 from an individual, unlimited amounts from district party subdivisions and the state central committee.
- b. A group may receive \$1,000 from an individual.
- c. A district party subdivision may receive \$1,000 from an individual, another district party subdivision, or a state central committee.
- d. A state party central committee may received unlimited amounts from individuals and district party subdivisions.

2. Disclosure Thresholds

Report by candidate - reporting dates remain the same as well as the requirement to provide name, address, occupation and employer for those who contribute more than \$100.

Provide an exemption for a state or municipal candidate who certifies he or she will not accept more than \$1,000 or spend more than \$1,000 -- including the candidate's own money -- in an election.

Report by group - reporting dates remain the same as well as the requirement to provide name, address, occupation and employer for those who contribute more than \$100.

Report by individual contributor - required of individual giving more than \$250.

Report of independent expenditure - required of individual or entity, other than group or political party, making independent expenditure of any amount.

3. Shorten State Campaigns (i.e., make them less expensive)

Establish civil penalty for prohibited expenditures before filing.

Amend the Election Code to shorten the timeframe within which declarations can be filed.

Restrict use of candidate campaign funds to influencing the candidate's own election and to repaying campaign loans which were properly reported.

Ban use of campaign funds by candidates for payment of fines.

Require campaign accounts to be closed by December 31 of the year of the election.

4. Contributions in the Name of Another - AS 15.13.070(d)

Change "A contribution made by a person wishing to remain anonymous" to specify that anonymous contributions, contributions made in the name of another, and fictitious contributions are all subject to return, donation to charity or escheat to the state. Specify the Commission's authority to direct the disposition of such funds.

5. Group Registration - AS 15.13.050

Require prior to accepting contributions or making expenditures.

Require to be filed handcarried or telegraphed if group forms within 14 days of an election it intends to influence.

Registration must include name, address and telephone numbers for chair, treasurer, and each deputy treasurer. Allow chair to certify reports.

Require annual renewal each January 15 until final report is filed.

Ban use of group name that is same or materially similar to name of group on file with APOC.

Require that name of group organized by employees or members of a corporation, partnership, union, association or other organization include name of the corporation, partnership, union, etc.

6. Commission Enforcement

New language establishing broader civil penalties for such things as:

a) knowingly making or accepting an excessive contribution, an anonymous contribution, a contribution in the name of another, or a fictitious contribution;

b) making prohibited expenditures before filing;

c) misuse of campaign funds;

d) late or incomplete registration by candidate or group, including failure to list deputy treasurers;

e) failure to provide proper identification on campaign communications; or

f) other new violations which are added.

7. Municipal Applicability - AS 15.13.010

Raise population threshold from 'more than 1,000' to 'more than 5,000' or structure a date, two-three years hence, after which municipalities are no longer covered. Attachment B lists the 26 municipalities now covered; checkmarks indicate the fourteen locations where population exceeds 5,000.

If population threshold is not increased, provide an exemption for service area board candidates, charter commission candidates, and incorporation election candidates.

8. Year-end Reports - AS 15.13.110(a)(4)

Specify December 31 as end of reporting period.

Change due date to January 15.

9. 24 Hour Reports - AS 15.13.110(b)

Change "one week" to "ten days."

10. Define Independent Expenditures

Codify concept now in regulation, 2 AAC 50.351 and 2 AAC 50.313(j). Banning groups, corporations, and other organizations from making contributions to candidates will increase the practice of making independent expenditures for or against candidates. Expenditures which are not 'truly independent' of a candidate amount to the same thing as contributions. Effective enforcement of the contribution restrictions will require strong language for differentiating between contributions and independent expenditures.

AS 15.13 CONTRIBUTION LIMITATION
Attachment A
APOC Proposal -- November 28, 1986

R E C I P I E N T S

C O N T R I B U T O R	CURRENT	CANDIDATE	GROUP	DISTRICT PARTY SUBDIVISION	STATE PARTY CENTRAL COMMITTEE
	PROPOSED				
INDIVIDUAL	\$1,000	No Limit*	No Limit	No Limit	No Limit
	\$1,000	\$1,000	\$1,000	\$1,000	No Limit
GROUP	\$1,000	No Limit*	No Limit	No Limit	No Limit
	0	0	0	0	0
DISTRICT PARTY SUBDIVISION	No Limit	No Limit	No Limit	No Limit	No Limit
	No Limit	0	\$1,000	No Limit	No Limit
STATE PARTY CENTRAL COMMITTEE	No Limit	No Limit	No Limit	No Limit	
	No Limit	0	\$1,000	No Limit	
CORPORATIONS, UNIONS, PARTNERSHIPS	\$1,000	No Limit*	No Limit	No Limit	No Limit
	0	0	0	0	0

* - Unless 'controlled' under AS 15.13.130(4).

11/28/86 - APOC 1987 Legislative Proposals - AS 15.13

Attachment B

<u>MUNICIPALITY</u>	<u>POPULATION</u>
✓Anchorage	248,263
Bethel	3,681
Craig	1,167
Delta Junction	1,207
✓Fairbanks, City of	27,099
✓Fairbanks North Star Borough	75,079
Haines Borough	1,847
Homer	3,817
✓Juneau, City and Borough	29,370
✓Kenai, City of	6,436
✓Kenai Peninsula Borough	38,919
✓Ketchikan, City of	8,414
✓Ketchikan Gateway Borough	14,314
✓Kodiak, City of	6,602
✓Kodiak Island Borough	13,748
✓Matanuska-Susitna Borough	41,093
North Pole	1,640
✓North Slope Borough	8,308
✓Northwest Arctic Borough	6,110
Palmer	3,016
Seward	2,072
✓Sitka	8,221
Soldotna	3,597
Unalaska	1,922
Valdez	3,687
Wasilla	3,666
✓14 with population more than 5,000	

SB 85
February 28, 1986

Senate Community & Regional Affairs
Teleconference
CSSB 356(SA)

MAR 04 1987

My name is Jean Rogers. I'm the chairman of the Alaska Public Offices Commission. Arlayne Knox from Fairbanks who is the vice-chairman of the Commission is here with me as is our newest member, Annie Laurie Howard of Anchorage. Yesterday afternoon the Commission spent some time discussing the bill before you. We find there are things in the bill we support and things in the bill we oppose. I'll try to give you a few examples of each in just a moment.

But first, the members of the Commission wish to point out that this bill is very different from both the one that was initially introduced into State Affairs and from the proposals which received public testimony in October. Quite frankly, with such complex language on a subject of intense public interest, a proposal needs to be put on the table and left there in the same form long enough for people to obtain a copy, read it, and think about it before they testify. Unless that is done, the debate takes place only on a few key issues and many other critical provisions are adopted without scrutiny.

All fall the public discussion centered on Mr. Gross's proposal to abolish the contribution limitation. Now we know that provision is not to be part of the language, but the debate about that proposal has created the impression that everyone knows what's in the bill.

With respect to the the provisions we discussed yesterday, we were reviewing the State Affairs Committee Substitute dated February 24th. The items we like the most include the registration section for candidates and political action committees, the codification of independent expenditures, the requirement to terminate a campaign, the ban on solicitations under force or in public offices. While there may well be room for improvement in these sections, we believe the concepts to be good ones and worth pursuing.

Now let me turn to the provisions which give us the most concern. They are listed in the order they appear in the bill.

Page 18, line 27, subsection 150(a) - As you know we do not support the continuation of contributions by subsidiaries. The records of the past two elections amply illustrate how the limitation is undermined by this practice.

Page 19, line 1, subsection 150(b) - The law needs to spell out that any kind of prohibited contribution must be returned whether was anonymous, in the name of another, in a fictitious name, an excess contribution, etc. We have found case law elsewhere that suggest both the present statute and the proposal before you are inadequate on this subject.

Page 19, line 11, subsection 150(c) - If a person is allowed 10 days to return a prohibited contribution, then the Commission will end up

A-1

C+RA teleconference

I had asked
Corey to pull
this from SB 85
files!

with cases where the issue is what to do about someone who returned a contribution in 11 days, or 12 days or 13 days. Complainants frequently use such provisions to their advantage. It would make more sense to require immediate return and give the Commission room to consider the facts in a specific situation.

Page 20, line 21, subsection 160(e) -- Much has already been said about the language which undermines the requirement to list deputy treasurers. Those of us who believe the public has the right to know who's carrying around campaign money would like to know how a person could solicit a contribution and carry it to a campaign without exercising any discretion over the identify of the campaign or the amount of the contribution. The real bagmen in life don't say, "I hope you give a contribution of some amount to some candidate and if you do, I'll take it to them." That's the only behavior this language would sanction.

Page 21, line 4, subsection 160(f) - This language parrots existing law about the responsibility of candidates. Our experience has shown that there's much room for improvement with respect to the candidates and the organizers of groups being required to be responsible. Anything you can do to strengthen this language would be appreciated.

Campaign Violations in the 1st and 2nd degree - subsections 220 and 230. Although it appears the Commission could levy substantial fines for 1st degree violations, that would be unlikely. In order to assess the larger fines, the Commission would have to prove by clear and convincing evidence that an act was taken with intent to avoid disclosure. This standard of proof is unreasonably high and would mean few penalties at the higher levels. In the second degree area, we feel that the fines may be too low.

Page 32, Statute of Limitations, section 260 - the term should be 4 years for both kinds of violations, especially since 4-year terms of office are covered by this law.

Page 36, subsection 310(b), "ban on plea bargaining," - The Commission staff serves at the pleasure of the Commission; those who are unhappy with its performance are most welcome to write and let us know.

Page 38, subsection 330, confidentiality - Even if we supported the premise - and we're not sure we do - this language is flawed. The confidentiality requirement is clearly imposed on the Commission and its staff but the complainant would still be free to talk. The language forbids discussion if no accusation is ever filed. Certainly the public has an interest in what cases are dismissed and why. The language in subsection (b) is so prohibitive that it might be illegal to conduct an investigation. If a subpoena were issued with the name of the respondent on it, such could be construed as divulging the existence of an investigation.

That concludes my remarks on behalf of the Commission. Thank you for this opportunity and for the special effort you made to arrange this teleconference. We're most appreciative.

A-2

11/28/86

ALASKA PUBLIC OFFICES COMMISSION

1987 Legislative Proposal Recommendations

AS 15.13 - Campaign Disclosure

MAR 04 1987

Introduction

The volume and complexity of campaign financing has outstripped the Law's ability to provide meaningful disclosure and effective enforcement. Public interest in information concerning the sources of campaign financing has grown with the cost of campaigns. Campaigns, contributors, and voters all express dismay at the increased costs and the fund-raising efforts required to support those costs.

The recommendations which follow are intended to reduce the sources of campaign funding and to increase the tools for enforcing those restrictions. Additional recommendations address loopholes in the current statute which allow the organization of last minute efforts to influence elections without adequate notice to the public or the affected campaigns.

Recommendations are also made to reduce the applicability of the chapter in areas where campaign activity is limited.

1. Contribution Limitation - AS 15.13.070(a)

The Commission recommends a comprehensive revision of the type of allowable contributor. The effect of the recommendations is listed below. Attachment A compares present law with the proposal. The effect of the proposal on contributors is:

- a. Individuals may give \$1,000 in a calendar year to a candidate, a group, or a district party subdivision, and may give unlimited amounts to a state party central committee.
- b. A group may make no contribution whatsoever to a candidate, another group, or a political party. Group efforts would be restricted to supporting or opposing ballot issues and to making independent expenditures for or against a candidate.
- c. District party subdivisions could give unlimited amounts to a candidate or to their state central committee, make no contributions to groups, and give \$1,000 to another district subdivision.
- d. The state central committee of a political party could give unlimited amounts to a candidate, make no contributions to groups, and give \$1,000 to district subdivisions. The proposal does not allow for national party organizations to contribute to candidates.

- e. Corporate, union, and partnership contributions are banned entirely on the grounds that contribution decisions by such entities are made by individuals, frequently the same individuals who are giving funds personally. Additional consideration should be given to language banning contributions by unincorporated associations which do not qualify as groups under the definition in AS 15.13.130(4).

The effect of the proposal on recipients is:

- a. Candidates may receive \$1,000 from an individual, unlimited amounts from district party subdivisions and the state central committee.
- b. A group may receive \$1,000 from an individual.
- c. A district party subdivision may receive \$1,000 from an individual, another district party subdivision, or a state central committee.
- d. A state party central committee may received unlimited amounts from individuals and district party subdivisions.

2. Disclosure Thresholds

Report by candidate - reporting dates remain the same as well as the requirement to provide name, address, occupation and employer for those who contribute more than \$100.

Provide an exemption for a state or municipal candidate who certifies he or she will not accept more than \$1,000 or spend more than \$1,000 -- including the candidate's own money -- in an election.

Report by group - reporting dates remain the same as well as the requirement to provide name, address, occupation and employer for those who contribute more than \$100.

Report by individual contributor - required of individual giving more than \$250.

Report of independent expenditure - required of individual or entity, other than group or political party, making independent expenditure of any amount.

3. Shorten State Campaigns (i.e., make them less expensive)

Establish civil penalty for prohibited expenditures before filing.

Amend the Election Code to shorten the timeframe within which declarations can be filed.

Restrict use of candidate campaign funds to influencing the candidate's own election and to repaying campaign loans which were properly reported.

Ban use of campaign funds by candidates for payment of fines.

Require campaign accounts to be closed by December 31 of the year of the election.

4. Contributions in the Name of Another - AS 15.13.070(d)

Change "A contribution made by a person wishing to remain anonymous" to specify that anonymous contributions, contributions made in the name of another, and fictitious contributions are all subject to return, donation to charity or escheat to the state. Specify the Commission's authority to direct the disposition of such funds.

5. Group Registration - AS 15.13.050

Require prior to accepting contributions or making expenditures.

Require to be filed handcarried or telegraphed if group forms within 14 days of an election it intends to influence.

Registration must include name, address and telephone numbers for chair, treasurer, and each deputy treasurer. Allow chair to certify reports.

Require annual renewal each January 15 until final report is filed.

Ban use of group name that is same or materially similar to name of group on file with APOC.

Require that name of group organized by employees or members of a corporation, partnership, union, association or other organization include name of the corporation, partnership, union, etc.

6. Commission Enforcement

New language establishing broader civil penalties for such things as:

a) knowingly making or accepting an excessive contribution, an anonymous contribution, a contribution in the name of another, or a fictitious contribution;

b) making prohibited expenditures before filing;

c) misuse of campaign funds;

d) late or incomplete registration by candidate or group, including failure to list deputy treasurers;

e) failure to provide proper identification on campaign communications; or

f) other new violations which are added.

7. Municipal Applicability - AS 15.13.010

Raise population threshold from 'more than 1,000' to 'more than 5,000' or structure a date, two-three years hence, after which municipalities are no longer covered. Attachment B lists the 26 municipalities now covered; checkmarks indicate the fourteen locations where population exceeds 5,000.

If population threshold is not increased, provide an exemption for service area board candidates, charter commission candidates, and incorporation election candidates.

8. Year-end Reports - AS 15.13.110(a)(4)

Specify December 31 as end of reporting period.

Change due date to January 15.

9. 24 Hour Reports - AS 15.13.110(b)

Change "one week" to "ten days."

10. Define Independent Expenditures

Codify concept now in regulation, 2 AAC 50.351 and 2 AAC 50.313(j). Banning groups, corporations, and other organizations from making contributions to candidates will increase the practice of making independent expenditures for or against candidates. Expenditures which are not 'truly independent' of a candidate amount to the same thing as contributions. Effective enforcement of the contribution restrictions will require strong language for differentiating between contributions and independent expenditures.

11/28/86 - APOC 1987 Legislative Proposals - AS 15.13

Attachment B

<u>MUNICIPALITY</u>	<u>POPULATION</u>
✓Anchorage	248,263
Bethel	3,681
Craig	1,167
Delta Junction	1,207
✓Fairbanks, City of	27,099
✓Fairbanks North Star Borough	75,079
Haines Borough	1,847
Homer	3,817
✓Juneau, City and Borough	29,370
✓Kenai, City of	6,436
✓Kenai Peninsula Borough	38,919
✓Ketchikan, City of	8,414
✓Ketchikan Gateway Borough	14,314
✓Kodiak, City of	6,602
✓Kodiak Island Borough	13,748
✓Matanuska-Susitna Borough	41,093
North Pole	1,640
✓North Slope Borough	8,308
✓Northwest Arctic Borough	6,110
Palmer	3,016
Seward	2,072
✓Sitka	8,221
Soldotna	3,597
Unalaska	1,922
Valdez	3,687
Wasilla	3,666
✓14 with population more than 5,000	

CSSB

87

HOUSE COMMITTEE REPORT

(11)

Date referred: 5/4/87

FURTHER REFERRALS:

DATE: 5-10-87

The Finance Committee has considered CSSB 87(L&C)

"An Act relating to the credit card interest rate that may be charged by certain financial institutions."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 2-13-87
- zero with analysis

SIGNING DO PASS:

W. Adams
Frank Hancock
Ch. Murrell
John Riege
J. Carr

SIGNING OTHER RECOMMENDATIONS:

Richard J. ...
Pete ... - DO NOT PASS
Mark Bayard NO YEE.
Kay Wallis DO NOT PASS
Fay Brown DO NOT PASS
Mike Davis DO NOT PASS

Richard J. Adams
 Chairman's signature

No. 44

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

SENATE

BILL VERSION: CSSB 87(L&C)

PUBLISH DATE: 2/13/87

REQUEST: _____

Revision Date: _____

Title: Credit Card Interest Rates

Agency Affected: Comm. & Econ. Dev.

BRU: Banking

Sponsor: Labor & Commerce

Requestor: Labor & Commerce

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
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)

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

POSITIONS:

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

ANALYSIS :

Prepared by: Willis Kirkpatrick, Director
Division: Banking, Securities and Corporations

Phone: 465-2521
Date: February 11, 1987

Approved by Commissioner: *[Signature]*
Agency: Commerce and Economic Development

Date: February 11, 1987

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Original sponsor: Labor & Commerce
Committee

BY THE SENATE AND
COMMERCE COMMITTEE

1 IN THE SENATE

2

CS FOR SENATE BILL NO. 87 (L&C)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the credit card interest rate
7 that may be charged by certain financial institu-
8 tions."

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

10 * Section 1. AS 06.05.209(b) is amended to read:

11 (b) A bank may issue a credit card or other similar credit-
12 granting device to a customer for obtaining money, goods, services or
13 anything else of value and the bank, when credit is extended under
14 this section, may impose a service charge at a monthly rate that
15 results in an annual rate not in excess of 17 percent on the out-
16 standing balance [THE LIMITS FOR SERVICE CHARGES PROVIDED IN AS 45.-
17 10.120(c)]. However, in addition, when cash is advanced under this
18 section, the bank may impose a setup charge that [WHICH] does not
19 exceed three percent of the funds advanced, or \$12, whichever is less,
20 except that on loans of under \$100 a minimum not exceeding \$3 may be
21 charged.

ALASKA WOMEN'S LOBBY

POST OFFICE BOX 10-1571, ANCHORAGE, ALASKA 99510

February 11, 1987

Honorable Tim Kelly
Senate Labor and Commerce Committee
P.O. Box V
Juneau, Alaska 99811

Dear Chairman Kelly and members of the committee:

The Alaska Women's Lobby has consistently been opposed to efforts aimed at de-regulation or raising the legal limit on service charges and interest rates.

We cannot agree with the Alaska Banker's Association's characterization of SB 87 as a consumer bill rather than a banking bill.

The banks propose that if allowed to raise the limit on service charges on credit cards to a single rate of 18% per year there would be a result in consumer savings because they would not necessarily charge consumers the maximum allowed by law.

Over the years we have seen interest rates drop considerably as has the Federal discount rate and holders of Alaskan credit cards with balances of \$1,000 or less have yet to experience a savings.

The supporters of SB87 claim that they must push the rate charged on lower balances to the maximum because the lowering of the discount rate has not allowed them to charge high enough interest on balances over \$1,000. It would seem that the lowering of the discount rate might have resulted in increased profits for the banks if it was not met by a decrease in interest charged to the majority of consumers.

In previous years we have been told that if the statutes were not changed to allow for an increased maximum rate it would force Alaska's banks to give up their credit card operations and in fact Alaska National Bank of the North did so and is now offering Alaskan customers a card from Seattle at a 15% single rate. This resulted in an actual benefit to Alaskan consumers.

The present two-tier system does not penalize the lower balance user. The statutes do not mandate the banks to charge the maximum interest rate.

One of the two remaining banks offering in-state credit cards says if allowed to charge 18% to everyone they promise they will reduce the rate, "in today's market", the other bank, we are told will consider the question. These do not seem guarantees the consumer can count on.

If the two-tier system is outdated and is indeed responsible for causing the majority of holders of Alaska issued cards to pay 18% interest rates then we would not oppose providing a single maximum rate. That rate though, should guarantee a savings to Alaskan credit card holders, perhaps 16%.

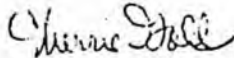
Or you might consider a single floating rate of a certain number of percentage points above the discount rate set by the Federal Reserve Bank. This way the rate could adjust to current market conditions. Another possibility would be a choice of the higher of the two.

Consumers are becoming more sophisticated and their choices are broad. Some Alaskan banks are charging a 15% single rate on out of state cards. Credit Unions offer even lower rates. There is a push in Congress for a national ceiling on interest rates.

We do not wish to prevent Alaskan banks from competing with out of state issuers in attracting credit card customers, but as you consider amending our current consumer-protective statutes we would urge you to assure that changes will result in an actual benefit to the average consumer.

Thank you for your consideration.

Sincerely,



Sherrie Goll
for the Alaska Women's Lobby

the maternity census begin to
uch different situation than two
en Humana claimed 65 percent
Anchorage, she says.

Anchorage Daily News/Fran Dumer

See Page J-2, HOSPITALS A birthing room at Providence Hospital is equipped with many of the amenities of home.

Alaska laws keep card rates high

You might not have noticed, but the interest you pay on your VISA or MasterCard depends very much on whether it was issued by an "Outside" bank like Citibank or Bank of America, or an Alaska bank. It can make a real difference, because the interest charged by local banks can be considerably less. But not as cheap as it could be. Therein lies an interesting story.

This is hard to believe, but sadly true: Alaska's law restricting interest rates on credit cards puts local banks at a competitive disadvantage with out-of-state financial institutions, results in local consumers paying higher rates, raises the possibility of local jobs being eroded and surprisingly, results in a minority of relatively affluent Alaskans being, in effect, subsidized by the rest of us.

You'd think legislators would rush to change this. In fact, they tried to. A bill did pass both the House and Senate, but it died in the confusion during final hours of the legislative session.

The law governing these interest rates is relatively obscure, a relic of the days of high interest rates, high inflation and the notion that economic problems can be solved by price controls and government regulation. But because of it, out-of-state financial institutions have been able to market their own credit cards aggressively here, capturing about half the Alaska charge card market. Because Alaska's limitations on interest don't apply to them, they can charge higher rates as well.

Alaska is one of five states that still have laws restricting interest rates on



tim bradner

locally issued credit cards that are lower than they would be on the open market. However, the problem is not so much the limit but the way the limit is structured.

We have a "two-tier" limit in Alaska, a top rate of 18 percent on the first \$1,000 owed, and a lower interest rate, applying to balances over \$1,000, that "floats" at five points over the federal discount rate. The discount rate has been falling, so this lower rate is now about 11.5 percent.

Like any price control, these limits create shortages and market distortions. The shortage is in the ability of the local banks to offer their lower-cost credit card services to large numbers of Alaskans, many of whom then turn to cards issued by out-of-state financial institutions to which the Alaska limits do not apply. Rates charged on these cards approach 20 percent. For example, Citibank and Bank of America charge 19.8 percent for their VISA and MasterCard accounts, as does Sears with its new Discover card.

But the most bizarre distortion is this:

The "two-tier" structure of Alaska's law creates a situation in which most of Alaska-issued card owners who carry relatively low balances wind up paying the maximum 18 percent, while a minority of the more affluent, who qualify for the premium bank cards with larger credit lines, can carry large balances and pay 11.5 percent on some of it. In effect, they are using the cards as a source of cheap consumer credit and are being subsidized by the rest of us who pay 18 percent.

This is the crux of the matter. Alaska bank earnings are marginal when servicing charge card accounts at 11.5 percent. To make up for lower earnings on this money, they must push the rate to the legal 18 percent maximum on the other money lent. Even with that, bank card services are no big money-maker for local banks.

Credit card operations are more complex and costly than conventional bank lending because of added costs in processing, handling and mailing. What this means is that to stay in the business, local banks must keep costs to a minimum, particularly the inevitable bad debt losses. They can do this by being very restrictive to whom they issue cards.

This has made Alaska a happy hunting ground for out-of-state financial institutions that are regulated under more liberal laws of their home states. With modern communications and data processing technology, they locate card

See Page J-5, CREDIT

ANCHORAGE DAILY NEWS - SUNDAY, JULY 6, 1986

CREDIT: Laws keep rates high

Continued from Page J-1

operations in states with liberal laws and can aggressively promote their cards nationwide because they charge higher rates and have a huge volume to make up losses. Local banks, in contrast, have less volume, less margin and higher costs, partly because they maintain their operations and people here.

The legislation that died in Juneau would have wiped out this lower "tier" of interest limitation to leave just one limit on the total of the amount owed. In fact, in final versions of the bill, the top "cap" would have been reduced from 18 to 17 percent.

But the actual rate would be determined by competitive market forces here and would "float" down to around 16.5 percent, Alaska bank officials say. Because there no longer would be a need to subsidize the lower limit, rates for most people would go down. But the overall return to the banks would increase. A greater margin would permit more liberal card-issuing, more volume, an ability to capture back more market share from the Outsiders, and lower interest rates on charge cards for most Alaskans.

Cynics doubt rates would actually fall. Local bankers point to other states with relatively high legal limits, or even no limits, where actual rates, established by market competition, are lower. They point to Washington, where the legal ceiling is 18 percent but Seafirst and Rainier banks charge 15 percent on their cards.

Critics respond: the Alaska banking community is small and dominated by a few big banks. There might not be enough competition for market forces to bring down rates.

Most legislators finally grasped the subtle complexities of this issue, though not in time to see a change in the law this year. It's tempting in politics to rely on the notion that government can "fix" a problem with a regulation or a control. It's more difficult to see the long-range effects or to really trust that free-market forces and deregulation in the financial community can really benefit consumers.

If legislators do allow interest rate deregulation, it will be interesting indeed to see how free-market forces will actually perform.

□ Tim Bradner writes for an Alaska economic reporting service.

Georgia Lawmakers Vote to Kill Rate Ceiling on Credit Cards

Special to the American Banker

ATLANTA — Georgia's General Assembly has voted to give credit card issuers within the state complete freedom to set their own interest rates and fees.

The bill, approved Thursday, abolishes the state's 18% ceiling on annual interest rate charges and the \$12 limit on annual fees. It also permits the establishment of special credit card banks in Georgia, a feature that proponents say will create hundreds of new jobs.

The House passed the measure 138 to 34 and immediately sent it to the Senate, where it was approved by a 42-to-1 vote. The bill requires the governor's signature to become law.

Rep. James M. Beck, D-Valdosta, sponsor of the bill in the House, said deregulation of rates and fees would allow banks to offer a wider variety of credit cards here. He also predicted that as many as a dozen financial institutions would open credit card banks here within a year.

"I can't overemphasize the employment aspect of the bill," he said. "That's what it's all about. But we can't have one part [new banks] without the other [credit card deregulation]."

Under the bill, a credit card bank would have to employ at least 50 people or contract with a Georgia credit card processing company that employs

at least 250 people.

Rep. Jack Connell, D-Augusta, sought an amendment in the House that would have lowered the required number of employees at a Georgia processor. He said he wanted to open the card processing business to more small companies. The amendment lost on a voice vote.

Other representatives claimed banks would respond to the bill by raising their interest rates and fees.

"The \$12 fee will be \$45 in no time flat," said Rep. William S. Jackson, D-Martinez.

Rep. Rudolph Johnson, D-Lake City, who offered an amendment that would have lowered the ceiling on interest rates from 18% to 14%, said bankers have not let credit card rates follow other market rates downward.

Mr. Beck and other proponents warned, however, that if the bill failed, Georgia banks might choose to move their credit card operations to a deregulated state.

The deregulation of credit cards applies only to cards issued by financial institutions, including banks, savings institutions, and credit unions.

It does not affect cards issued by department stores and other retailers, who are limited in Georgia to a 21% annual interest rate. They are not permitted to charge an annual fee. ■

Credit cards competitive?

THE ASSOCIATED PRESS

WASHINGTON — The chairman of a Senate Banking subcommittee is warning banks that issue Visa and MasterCard credit cards to begin competing on interest rates or risk new legal curbs on the rates they can charge.

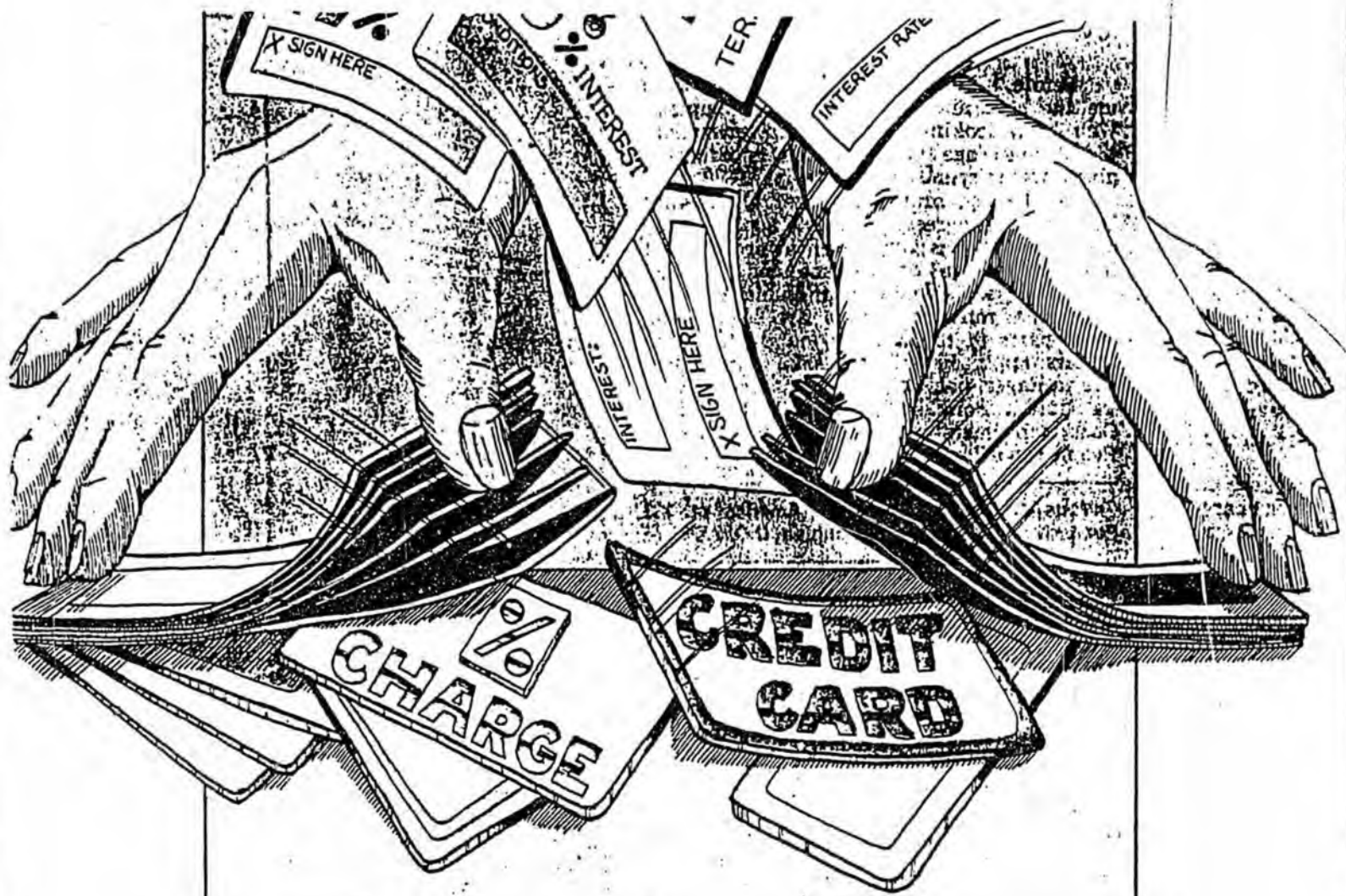
Sen. Christopher Dodd, D-Conn., opening a hearing by his consumer affairs subcommittee, said Tuesday he disliked the idea of a national cap on interest rates, calling such a ceiling "a simple and wrong solution to a complicated problem."

Anchorage Daily News
Monday, February 2, 1987

Styles/community/entertainment/tv

MATTER OF INTEREST

It pays to shop around for credit rates



BANK CARD INTEREST RATES

A sample of some Anchorage banks

Company	First \$1,000	Over \$1,000	Annual fees	Interest free period
Alaska Continental Bank	18.00%	10.50%	\$20	25 days
Alaskan Federal Credit Union	*14.85%	same	none	none
Alaska Mutual Bank	18.50%	same	\$18	21 days
Alaska National Bank of the North	15.00%	same	\$18	21 days
Alaska Pacific Bank	18.00%	10.50%	\$20	25 days
Alaska Statebank	18.00%	10.50%	\$20	25 days
Alaska USA Federal Credit Union	*13.90%	same	\$15	25 days
Fedalaska Federal Credit Union	18.00%	10.50%	\$20	25 days
First Federal Bank of Alaska	18.00%	10.50%	\$20	25 days
First Interstate Bank of Alaska	21.00%	same	\$20	25 days
First National Bank of Anchorage	18.00%	10.50%	\$20	25 days
National Bank of Alaska	18.00%	10.50%	\$20	25 days
Rainier Bank Alaska	15.00%	same	\$20	25 days
Alaska Bank Card Center	18.00%	10.50%	\$20	25 days

* Fluctuates

By JANE CARTWRIGHT

Daily News reporter

If you're unhappy with the interest rate you pay on your credit card, all you may have to do is drive down the street to a different bank.

Or apply for a "cheaper" card from an out-of-state bank.

Don't let the pleasure and convenience of the credit card — perhaps the most popular consumer invention ever — blind you to the reality of monthly payments, say experts. Shop around for the best interest rate, annual fee and interest-free grace period.

Banks that issue Visa or MasterCard set their own interest rates. Rates charged by Anchorage banks and credit unions vary widely — up to 6 percent.

Alaska USA Federal Credit Union currently charges its members the lowest rate at 13.9 percent. California-based First Interstate Bank of Alaska charges the highest at 21 percent.

The majority of Anchorage banks charge 18 percent on the first \$1,000 of unpaid balance and 10.5 percent on anything above that.

The annual interest rate is the amount the cardholder pays on the unpaid balance of the charge. Usually there's an interest-free or grace period before interest is tagged onto the balance. The length of the grace period varies, too. So does the annual fee charged to use the card.

So what? you may ask. If so, you're not alone.

One in four Americans carrying bank "plastic" doesn't know the rate of interest he is paying for the pleasure, according to a survey published in the Bank Credit Card Observer, a monthly industry newsletter.

The percentage of card holders who don't know may, in fact, be quite a bit higher, according to experts. Many people find it difficult to admit they don't know.

A surprising 78 percent of the 1,008 Americans surveyed said they see their cards as more of a convenience than a loan.

"The new year will challenge these beliefs," according to the New Jersey-based newsletter. "... Comparative shopping is entering a new era."

The new federal tax law calling for the phase-out of the tax deduction on bank credit card interest, among other things, may heighten consumer activism, according to the newsletter.

This and other factors may lead consumers to comparison shop for credit cards the way they shop for best buys on appliances and automobiles.

"Consumers are switching (banks) by the millions," said Steve E. Goodman, associate editor of the newsletter, in a telephone interview. "Banks that offer low-interest rates are being swamped by applications."

According to the newsletter's poll of the nation's 200 largest banks, the lowest interest rate on a bank card, 10.5 percent, is offered by the First Commercial Bank of Little Rock, Ark. The highest: 22.2 percent, by NCNB South Carolina in Columbia.

There's nothing to prevent a resident of Anchorage from applying for credit cards offered by banks Outside. In fact, many Alaskans do, according to Elgie Holstein, Washington, D.C., director of Bankcard Holders of America.

All you have to do is write to the bank and apply for a card.

"I do know that Alaska residents, like residents elsewhere in the country, are carrying credit cards issued by a local bank and also carrying a large number of cards issued by out-of-state banks," he said.

The average bank credit card interest is 18.5 percent, he said, even though interest rates on mortgages, cars and other loans "have fallen dramatically."

Holstein said the variation in rates here in Anchorage is not unusual.

"Regardless of where you live," he said, "you should shop around for the best deal on

credit cards."

Bankcard Holders of America will mail you a list of bank interest rates from across the country for \$1.

"If there's a dispute over a charge, you have to put it in writing," he explained. "So, it doesn't matter if the bank is two blocks away or 2,000 miles."

Of the 82 million people in the U.S. who carry bank credit cards, almost two-thirds (63 percent) say they would be willing to switch to a card with a lower interest rate, according to the Bank Credit Card Observer.

Though there is a push in Congress for a national ceiling on interest rates, the banking industry opposes it.

"Legislation is not necessary unless there is evidence of a monopoly in the marketplace," said Mary-Liz Meany, Washington, D.C. spokeswoman for the American Bankers Association.

"With the issuance of bank cards, this isn't true. There's quite a lot of competition."

She said it's dangerous to compare credit card interest rates with interest charged for other types of consumer loans.

"They (card loans) are unsecured loans, risky loans, more expensive to process," Meany said. "The cost of administering the program is very high."

She said credit cards make less money for banks — 1.68 percent of balances before taxes — than mortgages (2.24 percent), installment loans (2.32 percent) or commercial loans (2.91 percent).

And the fees for credit cards are "more accurately described as service rates,"

Meany said. "They are a tremendous convenience and they are very popular."

However, in its February issue, Consumer Reports noted that last year consumers owed some \$70 billion in outstanding credit balances, "a virtual gold mine for card issuers, especially those who've planted millions of cards in the wallets of consumers."

The magazine reports that "lenders also believed that consumers were not sensitive to interest rates because they are hooked on their cards, and the lenders felt free to charge whatever interest the traffic will bear."

However, sensitivity by banks may be growing. Late last year Citibank, the largest issuer of credit cards in the country, dropped its rate from 19.8 percent to 16.8 percent on its premium cards. Chase Manhattan, the third largest credit-card issuer, quickly reduced its regular Visa and MasterCard accounts from 19.8 percent to 17.5 percent.

By law, Alaska banks cannot assess card holders more than 18 percent interest annually on credit balances of less than \$1,000.

For accounts with balances exceeding \$1,000, the interest rate floats 5 percentage points above the discount rate set by the Federal Reserve Bank — currently 5.5 percent.

The restrictions don't apply to out-of-state banks with branches in Alaska.

Rainier Bank Alaska offers a 15 percent interest rate — the same rate Rainier Bank charges its Washington customers. Transactions are processed through Seattle.

Seattle First National Bank processes transactions for four Alaska banks: Alaska National Bank of the North (15 percent), Alaska Mutual Bank (18.5 percent), Mount McKinley (18.5 percent) and First Bank (18.5 percent).

With SeaFirst's acquisition last month of the bank card operation at Alaska Bank of the North, the number of Anchorage institutions that issue and process their own cards shrank to three: two credit unions and a bank.

Competing with Alaska USA Federal Credit Union's 13.9 percent is Alaska Federal Credit Union's 14.85 percent. You must be a member to get a card. Alaska Federal charges no annual fee for use of a card. However, there is no grace period.

The one bank in Anchorage that issues its own card is First National Bank of Anchorage. The interest rate is 18 percent on the

CREDIT: It pays to shop around

Continued from Page D-1

first \$1,000 and 10.5 on anything above.

The bank offers a 25-day grace period and charges a \$20 annual fee.

Though there are only three financial institutions that issue and process their own cards, Alaska Bank Card Center processes cards in the name of 21 other financial institutions statewide. The center is a wholly owned subsidiary of National Bank of Alaska, the state's largest bank.

Rates for National Bank of Alaska's 50,000 cardholders are the same as those offered by the First National Bank of Anchorage.

Local bank officials say they encourage shopping around.

"I think people are becoming more cognizant of the different interest rates charged," said Vicki Wilts, member services manager for Alaska Federal Credit Union.

"Before, it didn't matter. People said, 'Give me the card and let me do my shopping.' We're now looking at a younger generation, the 28-to-45 age group, which is educated about how to spend money wisely."

Joan Easley, branch manager for Rainier Bank Alaska, agreed. "This is a sophisticated population that is very much aware of what interest rates are doing," she said. "We get calls from people who want to change cards."

Because rates in Alaska are lower than other parts of the country, out-of-state consumers apply here for Alaska cards, said Gloria Rager, bank card coordinator for Alaska Mutual Bank. "We get calls from East Coast consumers two or three times a day. People can afford to be choosy."

□ Write Bankcard Holders of America at 333 Pennsylvania Ave. S.E., Washington, D.C. 20003.

Hidden costs may offset low rates

By JANE CARTWRIGHT,
Daily News reporter

Do lower interest rates on your bank credit card mean lower cost?

In its February issue, Consumer Reports warns: "Before you leap for the nearest interest-rate break, you should know about the creative ways banks and thrift institutions have found to charge you more even as they charge you less."

The magazine urges consumers to consider the following:

- **Annual fees.** A card with a lower interest rate may come with a higher annual fee. When Citibank lowered its interest rate, it raised the annual fee on premium-card accounts from \$40 to \$50.

- **Tiered pricing.** Some banks charge a higher interest fee on lower outstanding

balances and a lower interest fee on higher ones. Norstar Bank of Maine charges customers 15.5 percent on card balances of \$1,000 and over, 18.5 percent on balances below \$1,000.

- **Grace periods.** Some banks have started offering cards at a lower interest rate, but with no interest-free or grace period. Traditionally, a customer could pay off the entire unpaid balance before the normal 25-day grace period lapsed and incur no finance charge.

"Some banks have told us they make more profit by reducing the rate and wiping out the grace period," Robert Heady, publisher of The Bank Rate Monitor, is quoted as saying. His publication tracks interest rates.

Last fall, First Financial Savings, a

See Page D-2, HIDDEN

HIDDEN: Low rates may belie actual cost

Continued from Page D-1

Wisconsin bank, began offering some cards at a 14.9 percent interest rate, but eliminated the grace period.

- **Consumer Reports notes:** "Let's say you make five \$50 purchases during a billing cycle and pay in full two weeks before the bill's arrival. With the normal 25-day grace period, you'd owe no interest."

"But without a grace period, those purchases would cost you \$3 to \$4 in interest even on a card with a relatively low 14.9 percent interest rate."

- **Variable rates.** Other banks offer a low-rate card, but the rate is variable. Marine Midland in New York, for example, offers a card with a 14.9 percent variable rate. The bank changes the rate every quarter according to a number of factors, including the cost of the funds. The rate, however, is not pegged to any outside index.

If you pay off your credit-card balances regularly and don't incur finance charges, a much higher rate down the line won't make much difference. But if you carry credit balances, it could.

"Before looking for a credit card that offers the best features in the crazy quilt of pricing schemes, consider first how you use credit," the magazine suggests. "If you are a 'convenience' user, who pays off balances promptly each month thus incurring no finance charges, grace periods count but interest rates do not."

"If you're a true credit user, who allows your unpaid balances to revolve into the next billing period, look for a lower interest rate. And, of course, the more heavily you charge, the more you'll save with the lower rate."

"When evaluating credit-card offers, look carefully at the fine print before you sign up. Check the annual fee. Does the bank charge you

interest at a higher rate if you purchase less on your card? Are there transaction fees for cash advances or even purchases?

"Your best bet is still with an old-fashioned credit card with a low interest rate, low annual fee, and the grace period. Such offers are likely to come from financial institutions that are trying to get more cards into the hands of consumers, rather than from banks that already have a large credit-card consumer base."

Consumer Reports notes that "pricing can be subtle."

Consider First Deposit National Bank in Tilton, N.H. It offered by mail a Visa card with no annual fees, no transaction fees, lower minimum monthly payments and a 1 percent rebate on every purchase made with the card.

The catch?

To get the card, you had to take out a \$1,000 cash advance at a hefty 21.9 percent interest rate.

TESTIMONY BEFORE SENATE LABOR & COMMERCE COMMITTEE

Mr. Chairman, my name is Wes Coyner and I am representing the Alaska Bankers Association who support passage of SB87. This bill is, in fact more of a consumer bill than a banking bill.

What this bill will do is provide a single legal maximum interest rate on the outstanding balances on credit cards.

Under current Alaska law we have a two tier interest rate structure which is outdated, and a relic of the days of high interest rates and high inflation.

We now have a maximum rate of 18% on the first \$1,000 owed on local bank cards and a lower rate on balances over \$1,000 that floats at five points above the federal discount rate. The discount rate has fallen recently and this lower rate on balances over \$1,000 is now 10.5%. That is the problem - rates are too high on balances under \$1,000 and too low on balances over \$1,000.

As a result of our current two tier system approximately 150,000 Alaskans who have VISA and MASTERCARGE cards issued by Alaska banks, are not getting the full benefits of falling interest rates in todays market.

In addition, current statute places Alaska banks, who offer credit cards, at a competitive disadvantage with out of state banks who have captured approximately half of the Alaska credit card market. Ironically, most of those banks charge a higher interest rate than local banks.

Further, existing law discourages Alaska banks from issuing new cards, which in turn effects the number of people employed in their card operations and forces many Alaskans to use out of state cards at higher rates than Alaska law allows. State laws do not apply to out-of-state banks and credit unions who issue cards under more liberal laws of their home states, in the case of banks, and federal regulations for credit unions. Thirteen states have no limit and all but five states allow rates that vary from 18% to 30%. However, the legal maximum is not necessarily the rate charged.

As a side note, and as an example, Alaskan National Bank of the North recently sold their credit card operations to Seattle First National Bank. They reduced employment in that department by 10-14 employees and now Seattle First will be offering Alaska customers a card from Seattle at a 15% single rate not regulated by Alaska law but by Washington state.

Existing law allows our competitors from out of state to do things that we cannot do, and the law in its present form is not beneficial to lower income consumers.

We have a situation in which most of Alaska-issued card owners (approximately 2/3), who carry relatively low balances, wind up paying the maximum 18%, while a minority of the more affluent, who qualify for the premium bank cards with larger credit lines, can carry large balances and pay 10.5% on some of it. Consequently, to make up for lower earnings on this money, banks must push the rate to the maximum 18% on the lower balances. This has the effect of the more affluent using the cards as a source of cheap consumer credit and being subsidized by the average consumer who carries a smaller credit balance.

Our current structure has created inequities for banks doing business in Alaska, who want to provide jobs, and for the small or average consumer who desires a lesser interest rate.

Passage of SB87 would correct those inequities.

Banks would be able to compete on even terms with out of state banks by providing more cards to Alaskans seeking them, thereby expanding their card base, which in turn can lead to expanded operations and employment.

Most consumers would benefit by having one rate to consider rather than the confusing two tier system that now penalizes the lower balance user.

For those who are concerned about a maximum rate of 18% as set forth in SB87, Alaska banks are presently perceived to be an 18% card, when truly they are not. We cannot survive with an image of having an 18% card when our competitors are offering cards at far less.

In this regard, one of the two remaining Alaska banks offering credit cards will commit, in today's market, to a single or blended rate of 16.5%, or less, with passage of SB87. Thus, immediately reducing the 18% rate currently being paid by the approximately two thirds of holders of Alaska issued cards. Competition will certainly dictate that the other bank review the market to protect their interest.

Our current, out of step law, no longer protects or benefits the average consumer, who it was designed to protect and has put Alaska banks into a disadvantaged position against out of state card issuers.

SB87 will correct these problems and benefit both the consumer and the banks doing business in Alaska and creating employment.

The earlier this suggested change can be implemented, the sooner banks can compete by the same basic ground rules as out of state competitors and the sooner the consumer can take advantage of the lower interest rate at least one bank will commit to today and the other bank will review based on market conditions.

INTERNATIONAL CONSUMER RESEARCH INSTITUTE

RESEARCH AND PROGRAMS TO ADVANCE CONSUMER INTERESTS

Jo DeMars
Executive Director

Henry S. Reuss Federal Plaza
Room 1201

Milwaukee, WI 53203
414/271-1477

MEMORANDUM TO:

Consumer Colleagues

FROM:

Jo DeMars

SUBJ:

Bank Card Research

DATE:

January 26, 1987

I am pleased to share with you the results of a major piece of research that I hope will be of real value in the growing consumer effort to bring down the excessive interest rates being charged on many bank credit cards.

As you may know, the International Consumer Research Institute recently sent a questionnaire across the country to find out what people who care about consumers think of credit card interest rates. Well, it was almost unanimous -- 95 percent of those who responded said rates are too high.

What would be a fair rate? The overwhelming majority said 12 percent or less. That's fully six percent below the national average for bank credit cards.

We thought it was important to get this information out to the media right away. We also thought it was important to get to the media the "real numbers" on who is charging what. So we contacted one of the companies that survey banks.

We now have two solid pieces of information for the media. We have our own public opinion survey of consumer leaders who are virtually unanimous in saying rates are excessively high, and "rate data" for individual banks.

The ICRI has put this information together in a news release and mailed it to the media. Enclosed is a copy of what we sent.

If you are planning to be in contact with media in your area as part of the national effort announced earlier this month, please urge those journalists to publish the information that consumers really need on bank card rates.

And if our organization can be of any assistance to you in your own efforts to mount the fight against high credit card interest rates, write or call me here in Milwaukee. We have access to more data, and can also share with you a copy of a study done with the University of Wisconsin Center for Consumer Affairs that shows how important it is to get a strong educational effort going.

When you realize that today there are banks charging as much as 22 percent interest on consumer credit cards, while their "best customers" get loans at a prime rate of 7.5 percent, you also realize how important it is to get this information out...and get it out quickly.

ICRI NEWS RELEASE

INTERNATIONAL CONSUMER RESEARCH INSTITUTE
Henry S. Reuss Federal Plaza, Room 1201; Milwaukee, WI 53203

FOR RELEASE
JANUARY 29, 1987

FOR INFORMATION:
Ed Dooley
Christopher Smith
(202)659-5656

CONSUMER LEADERS SAY BANK CARD RATES TOO HIGH

MILWAUKEE, WI., January 29, 1987 -- America's consumer leaders are virtually unanimous in their belief that credit card interest rates are too high, with the overwhelming majority saying that an annual rate of no more than 12 percent is "about right", according to a survey released here today.

The survey, conducted by the International Consumer Research Institute (ICRI), found that 95 percent of the respondents believe banks are charging excessive interest rates on credit cards. When asked what rate they believed was "about right", 82 percent said 12 percent or less.

"At a time when the prime rate has fallen to 7.5 percent and lots of car loans are even lower, it's unbelievable that the national average for bank cards is still more than 18 percent," Jo DeMars, executive director of the ICRI, said.

DeMars noted that despite the dramatic drop in general interest rates over the last five years, credit card interest rates have actually risen. In 1980, when the prime rate stood at 18.39 percent, the average credit card

CONSUMER LEADER SURVEY

PAGE TWO

rate stood at 17.31 percent. Today, the prime rate is down more than 10 percentage points, but credit card rates have gone up. The national average is over 18 percent, and some banks charge in excess of 22 percent annually.

The nationwide survey of consumer leaders was undertaken between January 5th and 23rd, and results are being released to coincide with the efforts of a coalition of six national consumer organizations who are urging Americans to fight high credit card interest rates (see attached *Wall Street Journal* story).

These consumer organizations are advocating a national information and action campaign to convince consumers to switch to lower interest cards. A survey conducted a year ago found that consumer leaders believe Americans do not have the kind of comparative information they need to make informed decisions about which cards are the best value.

As a consumer issues organization, the International Consumer Research Institute has been working with state and national consumer groups, as well as *Bank Credit Card Observer*, a leading industry newsletter, to disseminate information on credit card interest rates and terms.

CONSUMER LEADER SURVEY

PAGE THREE

ICRI believes that forewarned is forearmed -- and only the informed consumer is forewarned. Enclosed with this release, is a table showing the wide range of rates and terms available to users of bank credit cards. All of the cards listed in the table are available nationally. Banks in your city can provide rates and terms available locally.

With the average bank card interest rate for January in the nation in excess of 18.00 percent, reflecting a spread of 10.50 to 22.20 percent, American consumers have real credit card options, but only if they know what these options are.

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THE WALL STREET JOURNAL.

Journal to List Rates On Bank Credit Cards In Table Each Month

By *WALL STREET JOURNAL* Staff Reporter

NEW YORK — Beginning today, The Wall Street Journal will publish a monthly table of selected bank credit card interest rates and terms.

The table, prepared by Bank Credit Card Observer, a newsletter published in Iselin, N.J., will list banks with the lowest rates on credit cards such as Visa and MasterCard among about 200 banks surveyed. All of the banks listed make their cards available to customers nationwide. For each bank, the table will list the annual fee to cardholders and the grace period, or time after purchases during which interest isn't charged.

The table also will list bank credit cards available nationwide that charge no annual fee. Such cards may be of interest to the approximately 36% of cardholders, by the newsletter's estimate, who pay their credit-card balances in full each month.

Currently, the survey shows only two no-fee cards, issued by Mercantile Trust Co. and Centerre Trust Co., both based in St. Louis. They carry interest rates of 19.8% and 22%, respectively.

The lowest rate in this month's survey is 10½% on cards issued by three Arkansas banks. Arkansas law limits credit-card interest to five percentage points above the Federal Reserve's discount rate, currently 5½%.

Bank credit-card rates have drawn increasing attention recently. Last week, a coalition of consumer groups launched a campaign to encourage consumers to switch away from high-interest cards. And the treasurer-elect of Illinois has criticized First National Bank of Chicago for the 19.8% rate it charges—a rate typical among large banks with major market shares in the credit-card business.

Bank Credit Card Interest Rates

January 1957

Banks with low interest rates offering bank credit cards nationally. Rates shown are for regular, not premium, cards and apply this month unless footnoted.

Bank	Rate	Fee	Grace Days
Union Natl. Little Rock, AR	v10.50%	120.00	00
Summons 1st Natl. Pine Bluff, AR	v10.50	22.50	25
Twin City, N. Little Rock	v10.50	22.50	25
Union Trust, Stamford, Conn.	11.75	20.00	30
Republic Natl of Miami	v14.00	22.00	30
Society Natl. Cleveland	14.05	20.00	30
Utd. Bk & Tr. Hartford, Conn.	15.00	20.00	30
Conn Bk & Tr. Hartford	15.00	25.00	25
Phila Sav Fd Soc. Morsham, Pa.	v15.42	18.00	25
Idaho 1st Natl. Boise	v15.58	18.00	30
Bk of New Eng. Boston	15.72	21.00	25
Meridian, Reading, Pa.	15.73	15.00	25
Shawmut Bk NA, Boston	15.84	24.00	30
First Florida, Tampa	16.00	24.00	30
Zions 1st Natl. Salt Lake City	v16.50	20.00	28
State St Bk & Tr. Boston	16.50	25.00	28
Fleet Natl. Providence, RI	16.70	20.00	30
Norstar NY, Albany, NY	16.80	15.00	25
Dollar Dry Dock, New York	16.80	20.00	30
Mitsui Mfgers. Los Angeles	v16.95	20.00	30
Bank of New York	v16.98	18.00	30
Provident Natl. Philadelphia	16.99	18.00	25
1st Amer Natl. Nashville	17.00	15.00	25
Pittsburgh National	17.00	18.00	25
Republic Nat Houston	17.25	20.00	25

Banks without any annual fee offering credit cards nationally.

Mercantile Tr. St. Louis	19.80		25
Centerre Tr. St. Louis	22.00		20

v-Variable rate. 00-Interest charged from date of posting. pu-Interest charged from date of purchase.

Source: Bank Credit Card Observer, Iselin, N.J.

THE WALL STREET JOURNAL.

Consumer Groups Increase the Pressure On Banks to Lower Credit Card Rates

By JOHN R. DURFMAN

Staff Reporter of THE WALL STREET JOURNAL

Consumer groups stepped up their pressure yesterday for banks to lower credit card interest rates.

In news conferences in six cities, leaders of a coalition of major consumer groups called for consumers to "fight and switch" by discarding high-interest credit cards and substituting credit cards from other banks.

"We think the big banks have just been plain greedy," said David Berliner, assistant director of Consumers Union, based in Mount Vernon, N.Y. He charged that most banks have failed to lower their rates on credit cards even though the cost of funds is down dramatically.

"If bankers ran gas stations, we'd still be paying \$1.40 per gallon," said Neil Fogarty, president of the Consumers League of New Jersey.

Joining in the "fight and switch" coalition were the Washington, D.C.-based groups Consumer Federation of America, Bankcard Holders of America, Public Citizen and the National Consumers League. Also in the coalition are many state and local consumer groups.

Six Banks Criticized

For special criticism, the coalition selected six large banks that it said issue about one-fourth of the nation's credit cards. The six were New York-based Citibank, which charges 19.8% interest on credit card balances; San Francisco-based Bank of America, 19.8%; New York-based Chase Manhattan Bank, currently 19.8% but dropping to 17.5% on Feb. 1; New York-based Manufacturers Hanover Trust Co., 17.8%; Chicago-based First National Bank of Chicago, 19.8%; and New York-based Chemical Bank, 19.5%.

In contrast to those rates, Gary Serota, president of Bankcard Holders, said that his group publishes a list of some 50 banks across the country with credit card interest rates of 16.5% or less. The banks are grouped by region. Some, but not all of them, issue credit cards nationwide.

In the most recent survey of 200 banks by Bank Credit Card Observer, the best interest rates available from banks that offer cards nationwide were from three Arkansas banks—Union National Bank in Little Rock, Simmons First National Bank in Pine Bluff, and Twin City Bank in North Little Rock. All three were charging 10.5%, in keeping with an Arkansas law that limits credit card interest rates to five percentage points above the Federal Reserve's discount rate. Republic National Bank in Miami was charging 14%, and Society National Bank in Cleveland was charging 14.05%.

Representatives for the six criticized

banks said that the rates charged are appropriate. "The cost of funds is less important for credit cards than it is for other loans," said a representative for Chase Manhattan. "You're dealing with millions of small transactions, each of which must be processed separately."

The Chase representative also noted that its premium cards will soon carry an interest rate of 16.5%, and that all of its cards offer "a substantial number of enhancements," such as travel rebates, collis on insurance on rental cars and waiver of the annual fee when charges exceed a threshold amount.

Such enhancements didn't seem to carry much weight with the consumer-group leaders. Banks "refuse to compete on the basis of price" in the credit card market, said Mr. Serota. Instead, he charged, they compete on the basis of "unnecessary perks" such as "luggage tags or the chance to use a health club in Singapore when you travel."

A representative for Chemical Bank said, "We are currently conducting a review of our pricing structure. We will be innovative in responding to consumer needs."

A Manufacturers Hanover spokesman said, "We were the first of the major banks to drop our rates, from 19.8% to 17.8% in 1985." That step was taken to reflect a decline in the cost of funds, he said, and has been well-received by consumers. Manufacturers Hanover has issued more than one million credit cards since September 1985, he said.

'Value and Choice'

A Citibank spokeswoman said only, "We believe our cards provide value and choice to the consumer."

A spokesman for First National Bank of Chicago said the bank believes its fee structure is appropriate, "given the high costs associated with providing this convenient form of consumer credit."

A representative of Bank of America said that the bank believes its credit card interest rate is "below that of other major banks in California, and competitive with savings and loans "at offer an equal grace, or interest-free, period."

In a related development, the treasurer-elect of Illinois, Jerome Cosentino, recently threatened to withdraw state business from First National Bank of Chicago, a unit of First Chicago Corp., because he considered First Chicago's 19.8% interest rate on credit cards too high. As reported last Friday, First Chicago has moved to expand its credit card operations by buying a Delaware bank, Beneficial National Bank USA of Wilmington, from Beneficial Corp. Delaware doesn't regulate interest rates or annual fees on credit cards.

CONSUMER BANK CARD CHOICES

RATE	BANK	FEE	TERMS
10.50%	UNION NATIONAL (AR)	\$20	No Grace Period
11.75%	UNION TRUST (CT)	\$20	30 days on new purchases
14.00%	CHEVY CHASE SAVINGS (MD)	\$18	30 days on new purchases
14.05%	SOCIETY NATIONAL (OH)	\$20	31 days on new purchases
15.58%	IDAHO 1ST NATIONAL (ID)	\$18	30 days on new purchase
19.80%	CITIBANK (S.D.)	\$20	30 days on new purchases
19.80%	MERCANTILE TRUST (MO)	\$0	25 days on new purchases
19.80%	BANK OF AMERICA (CA)	\$18	25 days on new purchases
20.40%	SECURITY PACIFIC (CA)	\$15	25 days on new purchases
21.60%	BANK ONE (OH)	\$30	30 days on new purchases
22.20%	VALLEY BANK (NV)	\$15	28 days on new purchases

Rates are subject to change. This information does not guarantee rates or terms.

SOURCE: Bank Credit Card Observer, Iselin, N.J.

Original sponsor: Labor & Commerce
Committee

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 87 (L&C)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the credit card interest rate
7 that may be charged by certain financial institu-
8 tions."

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

10 * Section 1. AS 06.05.209(b) is amended to read:

11 (b) A bank may issue a credit card or other similar credit-
12 granting device to a customer for obtaining money, goods, services or
13 anything else of value and the bank, when credit is extended under
14 this section, may impose a service charge at a monthly rate that
15 results in an annual rate not in excess of 17 percent on the out-
16 standing balance [THE LIMITS FOR SERVICE CHARGES PROVIDED IN AS 45.-
17 10.120(c)]. However, in addition, when cash is advanced under this
18 section, the bank may impose a setup charge that [WHICH] does not
19 exceed three percent of the funds advanced, or \$12, whichever is less,
20 except that on loans of under \$100 a minimum not exceeding \$3 may be
21 charged.

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

SENATE BILL NO. 87

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

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12 granting device to a customer for obtaining money, goods, services or
13 anything else of value and the bank, when credit is extended under
14 this section, may impose a service charge not in excess of one and
15 one-half percent a month on the outstanding balance [THE LIMITS FOR
16 SERVICE CHARGES PROVIDED IN AS 45.10.120(c)]. However, in addition,
17 when cash is advanced under this section, the bank may impose a setup
18 charge that [WHICH] does not exceed three percent of the funds ad-
19 vanced, or \$12, whichever is less, except that on loans of under \$100
20 a minimum not exceeding \$3 may be charged.

SB 88

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 3/17/87

Mr. President:

FINANCE

Committee considered

SB 88

increases or surcharges to automobile insurance premiums.

and recommended:

[] replace with CS FOR _____) [] same title
[] or adopt _____ CS FOR _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous \oplus 2/10/87

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature] Do PASS
Chairman signature and recommendation

[] Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: SB 88

Bill Version: _____
Publish Date: _____

Revision Date: _____
Title: An Act relating to increases or surcharges to automobile insurance premiums
Sponsor: Labor & Commerce Committee
Requestor: _____

Agency Affected: Commerce & Economic Development
B.R.U.: Insurance
Components: PUBLIC Protection

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
---------	-----	-----	-----	-----	-----	-----

REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: John L. George, Director Phone: 465-2515
Division: Division of Insurance Date: February 10, 1987

Approved by Commissioner: J. Anthony Smith Date: February, 1987
Agency: Commerce and Economic Development

Distribution (by preparer):

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

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

SENATE BILL NO. 88

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to increases or surcharges to auto-
7 mobile insurance premiums."

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

9 * Section 1. AS 21.36.420(d) is amended to read:

10 (d) An insurer that increases the premium or adds a surcharge to
11 an automobile insurance policy shall give written notice of the in-
12 crease or surcharge at least 15 days before it takes effect, stating
13 the reason for the change and the right of appeal under AS 21.39.090.

14 This subsection does not apply to a

15 (1) premium increase resulting from a change requested by
16 an insured, if the insured is notified at the time the request is made
17 that the amount of the insured's premium will change as a result of
18 the requested policy change; or

19 (2) rate approved by the director if the insurer gives
20 written notice of a premium increase to the insured at least 15 days
21 before the renewal date of the affected policy.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

ONE SEALASKA PLAZA, SUITE 303

JUNEAU, ALASKA 99801

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590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99709
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CABLE ADDRESS: DENALI
TELECOPIER: 479-8478

200 CHENEGA STREET
P.O. BOX 787
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

HAND DELIVERED

February 20, 1987

DAVID H. THORSNESS
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH P. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GORSKI
TIMOTHY R. BYRNES
JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON

JOSEPH R. D. LOESCHER
KENNETH D. LOJGEE*
EARL M. SUTHERLAND
JOHN B. THORSNESS
GREGORY W. LESSMEIER*
JOHN V. ACOSTA*
DONNA P. WALKER***
WILLIAM M. WALKER***
DANIEL M. WOLD
DAVID S. CARTER
MARILYN MAY
LAWRENCE V. ALBERT
JOHN G. FRANK**
ANN S. BROWN*
BRIAN D. BJORKQUIST
JAMES N. BARKELEY
THOMAS R. LUCAS
TIMOTHY R. REDFORD
SHELDON E. WINTERS**
DOUGLAS R. SMITH
JOHN J. NOVAK
JOHN H. TINDALL
DAVID H. KNAPP
MICKALE C. CARTER
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*FAIRBANKS OFFICE
**JUNEAU OFFICE
***VALDEZ OFFICE

Senator Don Bennett
Senator John Binkley
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Re: Senate Bill 88

Dear Senators:

I am writing to you on behalf of State Farm Insurance Company and Allstate Insurance Company regarding Senate Bill 88, which was introduced and passed by the House during the last legislative session as House Bill 476 but remained in the Senate Rules Committee when the session ended. This bill has been introduced by the Senate Labor and Commerce Committee this session and unanimously passed that committee on February 9, 1987 and has now been referred to Senate Finance.

Senate Bill 88 deals with premium increases in automobile insurance policies, and was introduced at our request to correct an ambiguity in AS 21.36.420, which was added by the legislature in 1984 via House Bill 16. We enclose herewith a copy of AS 21.36.420 for your information as well as a copy of the Department of Commerce and Economic Development's 1986 Position Paper favoring the legislation.

The ambiguity Senate Bill 88 was designed to correct is contained in subsection (d) of AS 21.36.420:

An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least 15 days before it takes

effect, stating the reason for the change and the right of appeal under AS 21.39.090.

If this subsection is read literally, it could be interpreted to require an insurer to send an insured a statement of reasons for change in premium and a statement of the notice of right to appeal every time a premium is increased, regardless of the reason for the premium increase. Such a requirement would significantly affect the practical consequences of the way we presently do business. For example, when a general rate increase is approved by the Division of Insurance, our insureds receive at least fifteen days notice of this increase, and a brief explanation of the reasons for the increase. To present an insured with a statement telling them that they have a statutory right to appeal a premium increase already approved by the Division of Insurance is illusory, because the Department has already approved the increase. It in fact would be illegal for us to charge anything but the approved rate. To suggest by means of a notice that our insured has a right of appeal not only is misleading, but could generate wasteful litigation and/or administrative hearings.

The more practical problems we face are where our insured calls and tells us that he has either added a youthful driver to his policy or purchased a new car. If we follow the literal dictates of the present statute, we simply would not be able to accept coverage in either instance until at least fifteen days after the request was made in order to assure that our insured has been informed of his proper statutory right of notice and appeal. The same would be true of where our insured moves to a higher rated area. We would not be able to accept coverage unless our insured is able to contact us early enough so we can provide the fifteen day notice of increase and right of appeal. We do not believe that anyone intended AS 21.36.420 to have this effect, and we believe Senate Bill 88 would correct this ambiguity and thus urge its passage.

It has been suggested that Senate Bill 88 be amended in subsection (1) to require that the insured be notified that not only will his premium increase as a result of the added coverage he is requesting, but that he also be told the precise amount of the increase. This would present some practical problems that could adversely affect our policyholders. Frequently, increases instituted at the request of insureds result from weekend or evening calls from the insured to an agent at his home. In those situations the agent is able to bind coverage orally from the moment the call is

Senators Bennett and Binkley
February 20, 1987
Page 3

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

placed and although he can and does inform the insured that the premium will increase, he cannot tell him with certainty the precise amount of the increase. The insured needs immediate coverage knowing it will cost him more but if the agent is unable to give him the exact amount of the increase, he will be precluded from binding coverage to the disadvantage of the insured. Even when agents receive these calls during business hours the insured frequently does not have all the information that would enable the agent to make a precise calculation of the increase, yet the agent can bind coverage at this point without all of the details. It is inevitable that many misquotes would be made as a result of this procedure. To assure the insured is accurately informed of the amount of the increase, the matter needs to be properly processed through the actuarial and billing departments. We believe an amendment of this nature would not be in the overall best interests of our policyholders and would create a myriad of unresolvable problems.

The present version of Senate Bill 88 requires written notice of the increase stating the reason for the change and the right of appeal in all instances except to: (1) a premium increase resulting from a change requested by an insured if the insured is notified at the time of the request that his or her premium will change, or (2) a rate increase approved by the Director if the insurer gives written notice to the insured of the rate increase at least fifteen days before the expiration date of the affected policy, which is when the increase would of course take effect. We do not believe these changes would affect in any way the original intent which prompted the enactment of AS 21.36.420. On the contrary, SB 88 would correct a negative effect not intended by the original legislation.

We do hope this ambiguity can be corrected this session and kindly request the bill be calendared for hearing before the Finance Committee. We will be happy to provide any assistance or further information you might desire. Thank you.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 

Donna P. Walker

Enclosure
DPW/mh
1435A

unwarranted injury. Papers, reports, documents, and evidence relative to an investigation under this section are confidential and not subject to subpoena unless, after notice to the director and a hearing, a court determines the director would not be unduly hindered by public inspection.

(b) An investigator of the director is not subject to subpoena in a civil action by a court of this state to testify concerning a matter that the investigator has knowledge of under a pending insurance fraud investigation by the director. (§ 149 SLA 1984)

Sec. 21.36.410. Out-of-state investigations. (a) If material the director seeks to obtain is located outside the state, the material may be made available to the director to examine at the place where the material is located. The director may designate representatives, including officials of the state in which the material is located, to inspect the material on behalf of the director.

(b) The director may respond to a request from an official of another state under procedures established in (a) of this section. (§ 10 ch 149 SLA 1984)

Sec. 21.36.420. Premium increases on automobile insurance policies. (a) An insurer may not increase the premium on an automobile insurance policy unless the increase applies to all insureds of the same class.

(b) An insurer may not increase the premium or add a surcharge to an automobile insurance policy because of the issuance of a citation for a moving traffic violation unless the insured or another person who resides in the insured's household and is covered by the policy has been convicted of the violation.

(c) The director shall adopt regulations to determine circumstances under which an insurer may increase the premium or add a surcharge to an automobile insurance policy.

(d) An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least 15 days before it takes effect, stating the reason for the change and the right of appeal under AS 21.39.090.

(e) In this section "automobile insurance policy" means an insurance policy that provides automobile liability coverage, uninsured motorist coverage, automobile medical payments coverage, or automobile physical damage coverage, delivered or issued for delivery in this state, insuring as the named insured one individual or a husband and a wife residing in the same household, and under which the insured vehicles are of the following types only:

(1) a motor vehicle of the private passenger or station wagon type that is not used as a public or livery conveyance, and not rented to others; or

(2) any other four-wheel motor vehicle with a load capacity of 1,500 pounds or less that is not used in the occupation, profession, or business of the insured, not used as a public or livery conveyance and not rented to others. (§ 1 ch 62 SLA 1984)

Revisor's notes. — Enacted as AS 21.36.400. Renumbered in 1984.

Chapter 39. Rates and Rating Organizations.

<p>Section 10. Purpose 20. Applicability 30. Making of rates 40. Rate filings 50. Disapproval of filings 60. Rating organizations 70. Deviations 80. Appeal by minority 90. Rights of insureds 100. Advisory organizations 110. Joint underwriting or joint reinsurance</p>	<p>Section 120. Examinations 130. Rate administration 140. False or misleading information 150. Assigned risks 155. Assigned risk pool 160. Penalties 170. Hearing procedure and judicial review 175. Statistics 180. Definition</p>
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NOTES TO DECISIONS

Cited in *State Workmen's Comp. Bd. v. Delaney*, Sup. Ct. Op. No. 2149 (File No. 4461), 615 P.2d 5 (1980).

Collateral references. — 43 Am. Jur. 2d, Insurance, § 826 et seq.
 44 C.J.S., Insurance, § 340 et seq.

Sec. 21.39.010. Purpose. The purpose of this chapter is to promote the public welfare by regulating insurance rates in order that they will not be excessive, inadequate or unfairly discriminatory, and to authorize and regulate cooperative action among insurers in rate making and in other matters within the scope of this chapter. Nothing in this chapter is intended (1) to prohibit or discourage reasonable competition, or (2) to prohibit or encourage, except to the extent necessary to accomplish the purpose of this chapter, uniformity in insurance rates, rating systems, rating plans or practices. This chapter shall be liberally interpreted to carry into effect the intent of this section. (§ 1 ch 120 SLA 1966)

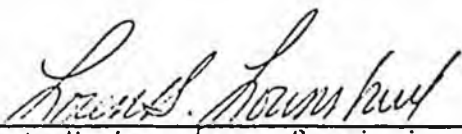
Department of Commerce & Economic Development / POSITION PAPER

CSHB 476: "An Act relating to automobile insurance premiums."

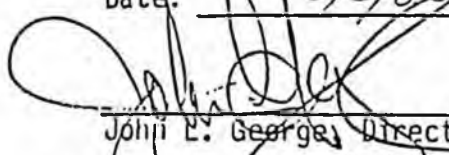
The department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation appearing on that person's driving record, and which is alleged to be inappropriate.

Alaska Statute 21.36.420(d) was structured to require a notice of all premium increases by an insurer. The notice gives a reason for the increase and the right to an appeal under AS 21.39.090. It is not clear whether a notice of reason and notice of right to appeal is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use and we believe that a right to appeal on top of the review process would be unduly wasteful of state resources.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary and the scope of notice required. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident. We do not object to the notice of premium increase on approved rate filings because it is a fair thing to do. It does generate additional cost for the insurer which will ultimately be passed along to the consumer. It is, however, a reasonable and fair requirement.


Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86


John E. George, Director of Insurance

Date: 3/3/86

REC'D
MAR 4 10 30 AM '86
ALASKA DEPT OF
COMMERCE & ECONOMIC
DEVELOPMENT

SB 88: "An Act relating to increases or surcharges to automobile insurance premiums."

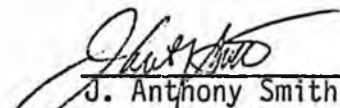
The Department of Commerce and Economic Development is in favor of this legislation.

The legislation proposes to introduce two exceptions to legislation adopted in 1984. That legislation, Ch. 62, SLA 1984, enacted AS 21.36.420, which requires that before a premium increase for automobile insurance can be applied, the insurer must first have sent a notice to the insured that the increase would take place. The statute also required that an insured be advised that he or she may request a hearing in Alaska before the insurer or its rating organization to appeal the application of the increased rate. The 1984 legislation provided for no exceptions.

The intent expressed during hearings held on the bill and by the sponsor was to provide notice of any rate increase for automobile insurance and entertain cases to provide an appeal mechanism for persons aggrieved by the rate changes because of points or surcharges applied to an insured. The proposed bill clarifies the notice of change provision by recognizing that there are situations where a lengthy period between notice and application does not really add to public protection and may, in fact, impair market availability. For example, change of car, addition of a young driver, or additional vehicles do increase the price of insurance and insureds know this is fact. Increases in such cases are not a surprise and a revision to the notice provision does not impact public protection.

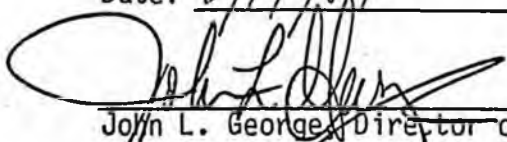
The real issue addressed with this proposal is the notice of a right to a hearing when a rate increase occurs. That feature is not reasonable in those cases where there is a change wrought by the insured and he is told that it will have a rate impact, or when an increase is due to a general rate increase which has been reviewed and approved by the Division of Insurance.

Our concern is that the absence of reasonable exceptions provides the opportunity for frivolous requests for hearings that would eventually burden the state with unnecessary hearings. This does not impair the ability of a person aggrieved by the application of the rating system from a hearing on the manner in which the system is applied if there is reason to believe that another application would be appropriate.



J. Anthony Smith, Commissioner

Date: 2/19/87



John L. George, Director of Insurance

Date: 2/18/87

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-5-87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED X **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/28/87

DATE TURNED INTO OFFICE 2/9/87

Mr. President:

LABOR & COMMERCE

Committee considered

SB 88

relating to increases or surcharges to automobile insurance premiums.

and recommended:

replace with CS _____

same title

attached amendment(s) and

new title

majority do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

McCluskey

Fehrenkamp

Tim Kelly - Do Pass
Chairman signature and recommendation

Committee Backup Attached