

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2872

Sec. ~~39.30.090~~ Procurement of group insurance.

(a) The Department of Administration may obtain a policy or policies of group insurance covering state employees, persons entitled to coverage under AS 14.25.168 , AS 22.25.090 , AS 39.35.535 or former AS 39.37.145, employees of other participating governmental units, or persons entitled to coverage under AS 23.15.136 , subject to the following conditions:

(1) A group insurance policy shall provide one or more of the following benefits: life insurance, accidental death and dismemberment insurance, weekly indemnity insurance, hospital expense insurance, surgical expense insurance, dental expense insurance, audiovisual insurance, or other medical care insurance.

(2) Each eligible employee of the state, the spouse and the unmarried children chiefly dependent on the eligible employee for support, and each eligible employee of another participating governmental unit shall be covered by the group policy, unless exempt under regulations adopted by the commissioner of administration.

(3) A governmental unit may participate under a group policy if

(A) its governing body adopts a resolution authorizing participation, and payment of required premiums;

(B) a certified copy of the resolution is filed with the Department of Administration; and

(C) the commissioner of administration approves the participation in writing.

(4) In procuring a policy of group health or group life insurance as provided under this section or excess loss insurance as provided in AS 39.30.091, the Department of Administration shall comply with the dual choice requirements of AS 21.86.310 , and shall obtain the insurance policy from an insurer authorized to transact business in the state under AS 21.09, a hospital or medical service corporation authorized to transact business in this state under AS 21.87, or a health maintenance organization authorized to operate in this state under AS 21.86. An excess loss insurance policy may be obtained from a life or health insurer authorized to transact business in this state under AS 21.09 or from a hospital or medical service corporation authorized to transact business in this state under AS 21.87.

(5) The Department of Administration shall make available bid specifications for desired insurance benefits or for administration of benefit claims and payments to (A) all insurance carriers authorized to transact business in this state under AS 21.09 and all hospital or medical service corporations authorized to transact business under AS 21.87 who are qualified to provide the desired benefits; and (B) to insurance carriers authorized to transact business in this state under AS 21.09, hospital or medical service corporations authorized to transact business under AS 21.87, and third-party administrators licensed to transact business in this state and qualified to provide administrative services. The specifications shall be made available at least once every five years. The lowest responsible bid submitted by an insurance carrier, hospital or medical service corporation, or third-party administrator with adequate servicing facilities shall govern selection of a carrier, hospital or medical service corporation, or third-party administrator under this section or the selection of an insurance carrier or a hospital or medical service corporation to provide excess loss insurance as provided in AS 39.30.091 .

(6) If the aggregate of dividends payable under the group insurance policy exceeds the governmental unit's share of the premium, the excess shall be applied by the governmental unit for the sole benefit of the employees.

4



benefits under AS 14.25, AS 22.25, AS 39.35, or former AS 39.37, and their dependents. The department shall procure any necessary excess loss insurance under AS 39.30.090.

# Alaska Public Employees Association/AFT (AFL-CIO)

State Headquarters/Juneau Field Office

211 Fourth Street, Suite 306, Juneau, Alaska 99801

Phone: (907) 586-2334 / (800) 478-9991 (Within Alaska) / Fax: 463-4980 / Acct Fax: 586-5980

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# APEA/AFT



March 16, 2005

The Honorable Tom Anderson,  
Alaska State Representative and  
Chair, House Labor & Commerce Committee  
State Capitol Room 408  
Juneau, AK 99801

RE: Opposition to HB 147 - Insurance

Dear Representative Anderson:

APEA/AFT wishes to express strong concerns about several sections of HB 147, which is currently before your committee.

The legislation impacts just a small number of our members but is both significant and negative in its impact. We represent approximately 300 school district employees in the Juneau School District, who work in maintenance, nursing, para-educators, and administrative clerks. Like many Alaskans, they have seen their health benefits costs increase to prohibitive levels.

The Juneau Education Support Staff (JESS) worked long hours with the school administration to reduce and control the staggering costs of the employees' health insurance program. Between 2002 and 2004, our Blue Cross health insurance premiums increased \$268.00 per employee per month, from \$500 to \$768. Last spring, we signed a contract to form our own health insurance trust. We have worked during the past year to finally establish that trust, and succeeded in reducing the monthly contribution rate to \$685 per employee, more than \$75.00 below the existing plan cost and saving substantial amounts of money to both the employees and the school district.

Unfortunately, provisions within HB 147 will pertain to our new trust and will result in the imposition of large fees and unanticipated costs to the trust. The new fees and costs do not improve or enhance our health insurance plans. Our members have taken the initiative to help bring their medical insurance costs down, thus helping both the state and the school districts, but if HB 147 passes as currently written, our members will be punished for their efforts and successful reduction of health insurance costs. We ask that you exempt our small group from excessive, costly and unnecessary requirement.

Thank you for giving us this opportunity to bring the issue to your attention. Please feel free to contact me should you need additional information.

Sincerely,

Pete Ford

Southeast Regional Manager

Cc: Members of the House Labor and Commerce Committee

Anchorage Field Office

3310 Arctic Blvd., Suite 200, Anchorage, Alaska 99504

Fairbanks Field Office

825 College Road, Fairbanks, Alaska 99701

## Statement of Opposition to HB 147 from Willis of Alaska

We are opposed to HB 147 because we believe the proposed legislation in Section 28 regarding Division oversight of certain governmental self-funded plans would cause many of our clients to incur a large expense of time and money, for a purpose that is not readily apparent to us.

The cost of healthcare has risen dramatically over the last 5 years, and is continuing to rise at a double digit pace. In Alaska, there are few options for employers when it comes to funding health benefits. Many have chosen a self-funded plan because it affords them more choice in designing a plan and serves as an efficient method for funding health benefits. If this bill becomes law, it will make the self-funded plan a much less attractive and would shift market share over to one of a handful of fully insured carriers writing business in Alaska. This means less competition in the healthcare market and higher costs for the State of Alaska and its employees.

**PUBLIC  
EMPLOYEES**



Submitted by Colleen Sovie at the request of Public Employees Local 71

**Opposition to Alaska State Legislature House Bill 147 / Senate Bill 108  
Sections 28 and 29**

**Summary:** Sections 28 and 29 of HB 147/SB 108 impose unnecessary regulation and costly administrative burden on Trust health plans which were established through the collective bargaining process to provide benefits to state employees.

**JIM ASHTON**  
Business Manager/  
Secretary-Treasurer

**ROBERT JOHNSON**  
President

**HEADQUARTERS**  
2510 Arctic Blvd.  
Anchorage, Alaska 99503  
FAX (907) 279-7171  
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Juneau, Alaska 99801  
FAX (907) 586-5757  
(907) 586-6993

Imposes a Costly Administrative Burden

- The bill would require the Trusts to file actuarial reports and other documents. Two annual reports would be required, as well as a report each quarter. The estimated cost to the Trust in actuarial fees to produce the required filings is a minimum of \$40,000-\$50,000, assuming the actuary was already familiar with the plan. The fees could increase significantly if the actuary were not already familiar with the plan. In addition, we anticipate administrative costs and legal fees related to these filings.
- The bill requires the Trust maintain a fidelity bond covering each trustee in an amount not less than 10% of the benefits paid during the preceding plan year. For a large Trust, such as the ASEA/AFSCME Local 52, a bond of at least \$6.4 million would be required. This is substantially larger than the bonding requirements of ERISA and it is unusual for a health trust to carry a bond of this size. Consequently, coverage may be difficult or impossible to obtain. A bond of this size may no longer be considered an ERISA bond and may carry higher rates. A substantial deductible may also be required.
- The Division of Insurance will bear additional administrative expenses in order to review and process these filings.
- The State and State employees will also bear this administrative burden. The funds held by the Trusts' health plans are to be used to provide health benefits to plan participants. Every dollar that is diverted to administrative expenses is a dollar that is not available to provide health benefit coverage.

Interferes With Collective Bargaining

- This bill would allow the State to unilaterally determine the benefits to be provided to covered participants, because the Trust would be required to comply with all State-mandated benefits, the State-mandated requirements for the plan administered by the Department of Administration, and regulations adopted by the director. Although the Trust plans currently provide coverage at a level that is as high as or higher than what is mandated by the State, the Trust benefits are tailored to the participant group. The Trusts were originally created through the collective bargaining process in order to allow the health benefit contributions to be used in such a way to better benefit participants.
- Under this regulation, the Trust would be required to provide any additional information requested by the director, "relating to the financial condition, transactions, and affairs of the plan." This requirement could be used, to the State's advantage, during the collective bargaining process.

Imposes Requirements which may be Impossible to Meet

- The bill requires that the Trust "establish and maintain a plan of operation that ensures that the plan will remain solvent as certified to by a qualified actuary." It is unlikely that an actuary would assume the liability to "ensure" solvency of any health plan.
- The bill requires filing of contribution rates at least 60 days before the end of the plan year (June 30 for both the PE71 and ASEA plans). The employer contribution is funded by the legislature, and historically the funding has not been passed by the legislature early enough to enable this filing.

Is Unnecessary

- Each of the Trusts was approved by the Division of Retirement and Benefits and has an existing Letter of agreement in place allowing the provision of coverage to the members of the sponsoring union.
- Each Trust plan is subject to PHSA, HIPAA, COBRA, WHCRA, FMLA, USERRA, MHPA and other federally mandated requirements.
- The Trusts are also regulated by the IRS and have received tax-exempt determination letters as qualified voluntary employee beneficiary associations and must comply with all of the Treasury Regulations associated with VEBA qualification.
- The Trusts already report to the State under the terms of the LOAs.
- Both the PE71 and ASEA plans voluntarily comply with the fiduciary standards set forth in ERISA. The Trustees are fiduciaries, receive fiduciary training, are insured as fiduciaries, and purchase fidelity bonds to protect against dishonesty.
- The Trust plans already provide Summary Plan Descriptions to covered participants.
- The Trust plans undergo an annual audit by a qualified independent certified public accounting firm qualified in employee benefit plan audits. The participants are entitled to a copy of the audit results.
- Participants have an opportunity to appeal denied benefit claims; if they are dissatisfied with the appeal determination, the participant may arbitrate, and if dissatisfied with the decision of the arbitrator may file suit in State Superior Court.
- The Trusts are subject to the jurisdiction of the State of Alaska Superior Courts.



Alaska Independent  
Insurance Agents & Brokers, Inc.

March 14, 2005

Representative Tom Anderson, Chairman  
Labor & Commerce Committee  
24<sup>th</sup> Legislative, 1<sup>st</sup> Session  
Alaska State Capitol  
Juneau, AK 99801-1182

House Bill 147 – Alaska Statutes Section 21 Insurance

Dear Representative Anderson,

Enclosed is a proposed amendment to this legislation addressing limitations on the use of Owner Controlled Insurance Programs (OCIP) and Contractor Controlled Insurance Programs (CCIP) to the construction of large (\$50,000,000.00 +) projects of public or private nature over a defined period of time at a specific location or region.

OCIP and CCIP's have been designed in the past to provide for uniformity of insurance coverage limits and forms for a specific large construction project involving an array of various industry trades. Examples that are often described as OCIP and CCIP projects include the Trans Alaska Pipeline, Hoover Dam, and the Sears Tower in Chicago.

There are large employers in Alaska that are proceeding with or contemplating the use of OCIP and CCIP's for the maintenance and repairs of their existing facilities.

There are several problems with using this insurance method for maintenance and repair programs:

(1). The removal of any insurance clients out of the already fragile Alaska insurance market may lead to further deterioration of that competitive arena. The total volume of insurance business in Alaska is so small that any reduction in the available insurance risks would lead to additional insurance markets exiting the state.

(2). Any loss of the current insurance market will adversely affect the remaining clients overall bottom line cost. Fewer insurance markets leads to higher costs for the rest of the clients not involved with the OCIP and CCIP.

(3). OCIP and CCIP include all owners, contractors, and sub-contractors for all aspects of the construction project. All employers are defined and included on the insurance program. No dual employer situations exist, and the insurance provided is the sole source and remedy for the public and employee exposures. This is not so clear when the OCIP and CCIP form of insurance is used for maintenance or repairs of existing facilities.

Employees of XYZ sub-contractor may have several locations and jobs throughout the state for operations during the year, but only a small portion is performed on an OCIP facility. XYZ sub-contractor would provide workers compensation benefits to their employees during travel exposures around the state, but the OCIP or CCIP program might only provide benefits for the employee while actually present at the maintenance site. If the employee is being sent to the OCIP site by XYZ sub-contractor but not included for benefits until they actually arrive at the maintenance site, who is responsible for the travel exposure? This could lead to a lot of unnecessary litigation to determine the employer/employee status at the time and place of injury.

This proposed language amendment is designed to clarify when an OCIP or CCIP may be used, and would be subject to the Division of Insurance oversight and approval.

Please give this amendment your consideration. Thank you.

Sincerely,

Michael F. Combs, CIC  
Legislative Committee  
Alaska Independent Insurance Agents & Brokers, Inc.



DIVISION OF INSURANCE

*Frank H. Murkowski, Governor*

March 8, 2005

Mr. Greg Culbert  
P.O. Box 229  
Galena, AK 99741

Dear Mr. Culbert:

Thank you for your input on HB 147. You were concerned that the bill would subject your city's health care program to State jurisdiction.

Section 28 of the bill would apply to self-funded governmental plans that are currently exempt from the Division of Insurance's jurisdiction (a group policy covering state employees and their dependants under Alaska Statute (AS) 39.30.90 and regulations adopted thereunder). Currently, 2 AAC 39.900 allows an exemption from coverage under a group policy for "bargaining units of the executive branch of the state" i.e., state employee union health trusts. Therefore, section 28 would only apply to the five state employee union health trusts since these are the only "bargaining units of the executive branch of the state" exempt under 2 AAC 39.900.

Section 28 of HB 147 would not apply to political subdivisions because a political subdivision is not a bargaining unit of the executive branch of the state. Therefore, the provisions in Article 2 (AS 21.85) of the bill would not be applicable to municipalities, school districts, or other political subdivisions that self-fund their health plans.

Also, note that under AS 39.30.090, the state may obtain a policy of insurance covering "participating" political subdivisions approved by the Commission. A political subdivision that self-funds its health plan is clearly not participating in a health insurance policy purchased by the state and therefore AS 39.30.090 would not apply and since AS 39.30.090 does not apply, Section 28 of HB 147 would not apply to such self-funded political subdivisions.

Please feel free to contact me with any additional questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "Linda S. Hall".

Linda S. Hall  
Director

LH/KC/go4635.2  
030805a

Mr. Chairman:

My name is Patricia Nault. I am here today as a Trustee of the ASEA Health Benefits Trust which I will refer to in my remarks as "the Trust". The Trust is one of the entities that would be subject to the requirements proposed in Sections 28 & 29 of HB 147. By definition in the Trust Agreement, Trustees are members of ASEA Local 52, so I am also a union member and beneficiary of the Trust.

Since 2001, the Trust has been providing employee health benefits under a self-insured plan to approximately 7,000 ASEA members and an additional 10,000 dependents of these members under provisions of the union's collective bargaining agreement with the State.

I am a relatively new Trustee, having been elected to this responsibility in November 2004 by fellow union members. I ran for this seat because I felt that by virtue of 1) the experience and knowledge I have gained in 12 years of working in policy and program development at the Department of Health & Social Services and 2) my master's degree in public administration, earned in 1999 from the University of Alaska Southeast, I could contribute to the long-term success of the Trust. In the total of 20 years I have worked as a state employee I have relied on the health benefits provided to state employees to take care of my family's health care needs. I am now doing my part to make sure future state employees who are members of Local 52 can continue to count on a good benefits package at a reasonable out-of-pocket cost.

I am here to express my concern that the requirements on self-funded government plans proposed in HB147 will increase the Trust's administrative costs without

Thank you, Mr. Chairman; I'm Chris Pace, a state employee. My comments are against sections 28 and 29 and the fiscal note.

One of the positive reasons I like working for the state is that we benefit from a self-funded government health plan sponsored by our union, Alaska State Employees Association. We enjoy more health benefits from our precious health care dollars because we've been successful in keeping our administrative overhead costs down.

HB 147 would reverse that. This bill would result in administrative overhead expense that I don't want or need. My health plan is already being regulated as a trust under Alaska Statute Title 13, and through our contract and letter of agreement by the Division of Retirement and Benefits.

I hear about other bills aimed at keeping health care costs down. The worker's comp bill would pay doctors and hospitals at 1999 rates to keep health care costs down. The PERS and TERS bills are partly to keep future state and municipal employee health care costs down. Legislation to cap medical malpractice awards is aimed at keeping doctor's insurance costs and rising health care costs down. But HB 147 will do the opposite and drive my state employee health care cost up.

It won't provide any additional money for doctor visits, prescriptions or dental care. It would only move money out of state employee paychecks and into the pockets of actuaries, accountants and bond brokers.

I know the legislature is always cautious when it comes to adding new laws that increase the financial burden and regulatory costs on the private sector in Alaska. Well, here is a bill that would increase health care costs for thousands of state employees, and yet the fiscal note only includes funding for one additional regulatory official at the Division of Insurance. Shouldn't the fiscal note also include funding to pay the union health plans for more actuaries, or for buying the huge fidelity bonds that would be required?

Those added costs weren't factored into the contracts we just negotiated with the state. Your health plan, the one for the commissioners, directors, legislators and your legislative staff, isn't going to be burdened with these new costs - only the union plans will have to pay. That's not a level playing field. I'm just afraid that the tab for these additional regulatory costs is going end up on the backs of state government employees.

So, I urge you to either not pass this bill - HB 147 - or else to fix it here in committee and remove sections 28, 29 and the fiscal note. Again, thank you.

**HB**

**147**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/1/05

FURTHER:

REPORTED OUT

MAY 6 2005

SENATE FINANCE  
COMMITTEE

DATE TURNED  
IN TO OFFICE: 6 May 2005

Finance Committee considered CS FOR HOUSE BILL NO. 147(FIN) am

## HB 147 INSURANCE REGULATION

\*An Act relating to notice of suspension or revocation of an insurer's certificate of authority and the effect of the suspension or revocation upon the authority of agents and managing general agents of the insurer; relating to certain deposits under AS 21; relating to the yielding of assets and securities held on deposit; relating to third-party administrators under AS 21; relating to insurance agents, managing general agents, reinsurance intermediary managers, and insurance producers; requiring the director of insurance to notify a licensee of a license renewal before the renewal date; defining the term 'appointment' as used in part of AS 21; relating to the eligibility to provide coverage by a nonadmitted insurer and alien insurer; relating to surplus lines insurance and brokers; relating to misrepresentations and false advertising concerning insurance; relating to health discount plans, providing for limitations on owner controlled and contractor controlled insurance programs and limiting the coverage of those programs; prohibiting excessive, inadequate, or unfairly discriminatory rate charges for health insurance; defining the term 'plan administrator' as used in part of AS 21; defining the term 'transact' as used in AS 21; authorizing the director of insurance to designate a person to receive annual reports from companies; reducing the period for filing a quarterly financial statement; and providing for an effective date \*

and recommends:

- be replaced with 5 CS CS HB 147 (FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**CS Senate Bill:**

Same Title

New Title

**SCS House Bill:**

Same Title

Technical Title Change

New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#
DCCED	5/1/05	38.5			

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>Gary Miller</i>	✓			
COCHAIR: <i>Lynne Green</i>	✓			

MAY 6 2005

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 147(FIN) AM  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title Omnibus Insurance RDU Insurance (116)  
Component Insurance  
Sponsor Rules  
Requester Senate FINANCE Component No. 354

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	35.0	36.0	37.0	38.0	40.0	41.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0	0.0	0.0	0.0	0.0	0.0
Supplies	2.5	0.0	0.0	0.0	0.0	0.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>38.5</b>	<b>36.0</b>	<b>37.0</b>	<b>38.0</b>	<b>40.0</b>	<b>41.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services	38.5	36.0	37.0	38.0	40.0	41.0
<b>TOTAL</b>	<b>38.5</b>	<b>36.0</b>	<b>37.0</b>	<b>38.0</b>	<b>40.0</b>	<b>41.0</b>

Estimate of any current year (FY2005) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

A Consumer Services Specialist will need to be added to respond to additional inquiries from the public on the union health trust fund provisions.

Prepared by: Linda S. Hall, Director Phone 907-269-7900  
Division insurance Date/Time 5/6/05 11:33 AM  
Approved by: Edgar Blatchford, Commissioner Date 5/6/2005  
Agency Commerce, Community & Economic Development



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 6 May 2005 TIME: 4:45pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please  
SCS CS HB 147 (FIN) 24-GH1083/Y  
Bullock 5/6/05  
no changes  
Thx  
Mindy

Adopted 5/6/05

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-GH1083VY  
Bullock  
5/6/05

SENATE CS FOR CS FOR HOUSE BILL NO. 147(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to notice of suspension or revocation of an insurer's certificate of  
2 authority and the effect of the suspension or revocation upon the authority of agents and  
3 managing general agents of the insurer; relating to certain deposits under AS 21;  
4 relating to the yielding of assets and securities held on deposit; relating to third-party  
5 administrators under AS 21; relating to insurance agents, managing general agents,  
6 reinsurance intermediary managers, and insurance producers; requiring the director of  
7 insurance to notify a licensee of a license renewal before the renewal date; defining the  
8 term 'appointment' as used in part of AS 21; relating to the eligibility to provide  
9 coverage by a nonadmitted insurer and alien insurer; relating to surplus lines insurance  
10 and brokers; relating to misrepresentations and false advertising concerning insurance;  
11 relating to health discount plans; providing for limitations on owner controlled and  
12 contractor controlled insurance programs and limiting the coverage of those programs;

1 prohibiting excessive, inadequate, or unfairly discriminatory rate charges for health  
2 insurance; defining the term 'plan administrator' as used in part of AS 21; defining the  
3 term 'transact' as used in AS 21; authorizing the director of insurance to designate a  
4 person to receive annual reports from companies; reducing the period for filing a  
5 quarterly financial statement; and providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 \* **Section 1.** AS 21.06.130(a) is amended to read:

8 (a) To determine compliance with this title, the director may, as often as the  
9 director has reasonable cause, [CONSIDERS ADVISABLE] examine or require a  
10 written report from a person of the accounts, records, documents, and transactions  
11 pertaining to or affecting the insurance affairs or proposed insurance affairs of

12 (1) an insurance producer or independent adjuster; or

13 (2) a person engaged in or proposing to be engaged in or assisting in  
14 the promotion or formation of a domestic insurer or insurance holding corporation, or  
15 corporation to finance a domestic insurer or the production of its business.

16 \* **Sec. 2.** AS 21.09.160 is amended to read:

17 **Sec. 21.09.160. Notice of suspension or revocation and effect upon agent's**  
18 **authority.** (a) Upon suspending or revoking an insurer's certificate of authority the  
19 director shall immediately give notice to the insurer and [TO ITS AGENTS OF  
20 RECORD IN THIS STATE IN THE DIRECTOR'S OFFICE. THE DIRECTOR] shall  
21 also publish notice of the revocation in one or more newspapers of general circulation  
22 in this state.

23 (b) The suspension or revocation shall automatically suspend or revoke, as the  
24 case may be, the authority of all its agents and managing general agents to act as  
25 agents or managing general agents of the insurer in this state, and the insurer  
26 [DIRECTOR] shall so state in the notice to agents and managing general agents  
27 provided for in (c) [(a)] of this section.

28 \* **Sec. 3.** AS 21.09.160 is amended by adding a new subsection to read:

29 (c) Upon notification of suspension or revocation of an insurer's certificate of

1 authority, the insurer shall immediately give notice of the suspension or revocation to  
2 its agents and managing general agents operating in this state.

3 \* Sec. 4. AS 21.24.040(a) is amended to read:

4 (a) Deposits made in this state under this title shall be made through the office  
5 of the director [IN SAFE DEPOSIT OR] under custodial arrangements as required or  
6 approved by the director consistent with the purposes of the deposit, with an  
7 established safe deposit institution, bank, or trust company located in this state  
8 selected by the insurer with the director's approval.

9 \* Sec. 5. AS 21.24.040(c) is amended to read:

10 (c) If of convenience to the insurer in the buying, selling, and exchange of  
11 securities making up [COMPRISING] its deposit, and in the collection of interest and  
12 other income currently accruing on the securities [THEREON], the insurer may, with  
13 the director's advance written approval, deposit a portion of the securities under  
14 custodial arrangements with an established bank or trust company located outside this  
15 state, if receipts representing all the securities are issued by the custodial bank or trust  
16 company and are held in [SAFE DEPOSIT OR] custody subject to the requirements of  
17 (a) [AND (b)] of this section.

18 \* Sec. 6. AS 21.24.130(d) is amended to read:

19 (d) If the insurer is subject to delinquency proceedings as defined in AS 21.78,  
20 upon the order of a court of competent jurisdiction, the director shall yield the assets  
21 and securities held on deposit under AS 21.09.090(b) to the receiver, conservator,  
22 rehabilitator, or liquidator of the insurer, or to any other properly designated official or  
23 officials who succeed to the management and control of the insurer's assets. The  
24 director may release the deposit directly to the guaranty fund of which the  
25 insurer is a member if the right to receive all or a portion of the deposit is  
26 assigned to the guaranty fund.

27 \* Sec. 7. AS 21.27.010(c) is amended to read:

28 (c) A third-party administrator [PERSON WHO FOR A RESIDENT OF  
29 THIS STATE, OR FOR A RESIDENT OF ANOTHER JURISDICTION FROM A  
30 PLACE OF BUSINESS IN THIS STATE, PERFORMS ADMINISTRATIVE  
31 FUNCTIONS, INCLUDING CLAIMS ADMINISTRATION AND PAYMENT,

1           MARKETING ADMINISTRATIVE FUNCTIONS, PREMIUM ACCOUNTING,  
2           PREMIUM BILLING, COVERAGE VERIFICATION, UNDERWRITING  
3           AUTHORITY, OR CERTIFICATE ISSUANCE ONLY IN REGARD TO LIFE  
4           INSURANCE, HEALTH INSURANCE, OR ANNUITIES] is not required to be  
5           licensed as a managing general agent if the third-party administrator [PERSON]

6                   (1) is registered under AS 21.27.630 - 21.27.660 [THIS CHAPTER  
7           AS A THIRD-PARTY ADMINISTRATOR]; or

8                   (2) only investigates and adjusts claims and is licensed under this  
9           chapter as an independent adjuster.

10       \* Sec. 8. AS 21.27.100 is repealed and reenacted to read:

11               **Sec. 21.27.100. Appointment of insurance producer, managing general**  
12       **agent, and reinsurance intermediary manager; acts of agent.** (a) An appointment  
13       is required to be made in accordance with this section when one or more of the  
14       following has occurred:

15                   (1) an admitted insurer appoints a managing general agent in this state  
16       or relative to a subject resident, located, or to be performed in this state;

17                   (2) a managing general agent appoints an insurance producer as its  
18       subagent in this state or relative to subjects resident, located, or to be performed in this  
19       state;

20                   (3) a domestic reinsurer appoints a reinsurance intermediary manager;

21                   (4) a reinsurance intermediary manager appoints an insurance producer  
22       as its subagent in this state.

23               (b) An admitted insurer shall appoint an insurance producer as its agent in this  
24       state or relative to a subject resident, located, or to be performed in this state not later  
25       than 30 days after the date that a written agency contract is executed or the first  
26       insurance application is submitted to the admitted insurer by the licensed insurance  
27       producer.

28               (c) An individual in a firm who acts solely on behalf of a firm that is  
29       appointed as an agent or a managing general agent on behalf of an admitted insurer  
30       under this section may not be required to also have an appointment under this section  
31       if the individual in the firm is licensed with that firm for a specific class of authority.

1 (d) The authorized or apparently authorized acts on behalf of an appointing  
2 insurer of an insurance producer appointed under this section are considered the acts  
3 of that insurer.

4 (e) An insurer and managing general agent shall maintain a current list of all  
5 appointments made or required to be made under this section that identifies the  
6 licensee's name, licensee's mailing address, license number, and effective date of  
7 appointment.

8 (f) An insurance producer shall maintain a list of all appointments made or  
9 required to be made under this section that identifies the insurer's name, insurer's  
10 mailing address, and effective date of appointment.

11 (g) An insurer, managing general agent, or insurance producer shall reply in  
12 writing within three working days to an inquiry of the director regarding an  
13 appointment.

14 \* **Sec. 9.** AS 21.27.110 is repealed and reenacted to read:

15 **Sec. 21.27.110. Term of appointment.** (a) An appointment under  
16 AS 21.27.100 continues in force until the appointment is terminated in writing.

17 (b) If an insurer, reinsurer, or authorized representative discovers information  
18 showing that the appointee whose appointment was terminated has engaged in an  
19 activity identified in AS 21.27.410 during the period of the appointment, the insurer,  
20 reinsurer, or authorized representative shall, on a form or in a format prescribed by the  
21 director, promptly notify the director.

22 (c) Within 15 days after providing notification in accordance with (b) of this  
23 section, the insurer, reinsurer, or authorized representative shall mail a copy of the  
24 notification to the appointee at the last address on record with the insurer, reinsurer, or  
25 authorized representative. The notice must be provided by certified mail, return  
26 receipt requested, postage prepaid, or by overnight delivery using a nationally  
27 recognized mail carrier.

28 (d) Within 30 days after the appointee receives notification in accordance with  
29 (c) of this section, the appointee may file written comments concerning the substance  
30 of the notification with the director and shall provide a copy of the written comments  
31 to the insurer, reinsurer, or authorized representative. The written comments filed

1 with the director must be included with each report distributed or disclosed concerning  
2 a reason about the termination of the appointment.

3 (e) If requested by the director, an insurer, a reinsurer, or an authorized  
4 representative shall provide to the director additional information, documents, records,  
5 or other data pertaining to a termination or activity of a licensee under this title.

6 (f) A notice of termination submitted to the director under this section must  
7 include a statement of the reasons for the termination. A statement of the reasons for  
8 termination is confidential and not subject to inspection and copying under  
9 AS 40.25.110. A statement of reasons for the termination may not be admitted as  
10 evidence in a civil action or an administrative proceeding against an insurer, reinsurer,  
11 or authorized representative by or on behalf of a person affected by the termination,  
12 except when the action or proceeding involves perjury, unsworn falsification, fraud, or  
13 failure to comply with this subsection.

14 (g) If an insurer, a reinsurer, or an authorized representative fails to report as  
15 required under this section or is found by a court to have knowingly or intentionally  
16 falsely made that report, the director may, after notice and hearing, suspend or revoke  
17 the license or certificate of authority of the insurer, reinsurer, or authorized  
18 representative and may impose a penalty in accordance with AS 21.27.440.

19 \* Sec. 10. AS 21.27.380(a) is amended to read:

20 (a) Except as provided in this title, the director may renew a license biennially  
21 on a date set by the director if the licensee continues to be qualified under this chapter  
22 and, on or before the close of business of the renewal date, meets all renewal  
23 requirements established by regulation and pays the renewal license fees set under  
24 AS 21.06.250 for each license to the director. A licensee is responsible for knowing  
25 the date that a license lapses and for renewing a license before expiration. The  
26 director shall notify the licensee of the license renewal [MAIL A RENEWAL  
27 NOTICE TO THE LICENSEE'S CURRENT ADDRESS ON FILE WITH THE  
28 DIRECTOR] 30 days before the renewal date.

29 \* Sec. 11. AS 21.27.630(b) is amended to read:

30 (b) A third-party administrator may not transact business for a kind or class of  
31 authority [INSURANCE] for which the person is not registered.

1 \* Sec. 12. AS 21.27.630(c) is amended to read:

2 (c) Except as otherwise provided in this chapter, a third-party  
3 administrator [A PERSON WHO PERFORMS ADMINISTRATIVE FUNCTIONS,  
4 INCLUDING CLAIMS ADMINISTRATION AND PAYMENT, MARKETING  
5 ADMINISTRATIVE FUNCTIONS, PREMIUM ACCOUNTING, PREMIUM  
6 BILLING, COVERAGE VERIFICATION, UNDERWRITING AUTHORITY, OR  
7 CERTIFICATE ISSUANCE IN REGARD TO INSURANCE AS A THIRD-PARTY  
8 ADMINISTRATOR] shall be registered under AS 21.27.630 - 21.27.660 [AS A  
9 THIRD-PARTY ADMINISTRATOR] unless the third-party administrator  
10 [PERSON] only investigates and adjusts claims and is licensed under this chapter as  
11 an independent adjuster.

12 \* Sec. 13. AS 21.27.630 is amended by adding new subsections to read:

13 (k) An insurer that holds a certificate of authority issued by the director and is  
14 in good standing under this title is not required to be registered as a third-party  
15 administrator in this state.

16 (l) A person that is not required to be registered as a third-party administrator  
17 under (e) - (k) of this section must file a certification with the director that the person  
18 meets the requirements for exemption.

19 \* Sec. 14. AS 21.27.650(a) is amended to read:

20 (a) An insurer may not transact business with a third-party administrator  
21 unless

22 (1) the insurer holds a certificate of authority in this state, if required  
23 under this title;

24 (2) the third-party administrator is registered under this chapter or the  
25 third-party administrator has filed a certification with the director certifying that  
26 [, WHEN] the third-party administrator is operating only for a foreign insurer other  
27 than a self-funded multiple employer welfare arrangement regulated under  
28 AS 21.85 and [,] is registered as a third-party administrator by the third-party  
29 administrator's resident insurance regulator in a state that the director has determined  
30 has enacted provisions substantially similar to those contained in AS 21.27.630 -  
31 21.27.650 and that is accredited by the National Association of Insurance

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Commissioners:

(3) the third-party administrator provides the director on January 1, April 1, July 1, and October 1 of each year

(A) a list of current employees, identifying those transacting business in this state or upon a subject resident, located or to be performed in this state;

(B) a list of current insurers under contract; and

(C) other information the director may require;

(4) a written contract is in effect between the parties that establishes the responsibilities of each party, indicates both parties' share of responsibility for a particular function, and specifies the division of responsibilities;

(5) there is in effect a written contract between the insurer and third-party administrator that contains the following provisions:

(A) the insurer may terminate the contract for cause upon written notice sent by certified mail to the third-party administrator and may suspend the underwriting authority of the third-party administrator during a dispute regarding the cause for termination; but the insurer must fulfill all lawful obligations with respect to policies affected by the written agreement, regardless of any dispute between the insurer and the third-party administrator;

(B) the third-party administrator shall render accounts to the insurer detailing all transactions and remit all money due under the contract to the insurer at least monthly;

(C) all money collected for the account of an insurer shall be held by the third-party administrator as a fiduciary;

(D) all payments on behalf of the insurer shall be held by the third-party administrator as a fiduciary;

(E) the third-party administrator may not retain more than three months estimated claims payments and allocated loss adjustment expenses;

(F) the third-party administrator shall maintain separate records for each insurer in a form usable by the insurer; the insurer or its authorized representative shall have the right to audit and the right to copy all accounts

1 and records related to the insurer's business; the director, in addition to other  
2 authority granted in this title, shall have access to all books, bank accounts, and  
3 records of the third-party administrator in a form usable to the director; any  
4 trade secrets contained in books and records reviewed by the director,  
5 including the identity and addresses of policyholders and certificate holders,  
6 shall be kept confidential, except that the director may use the information in a  
7 proceeding instituted against the third-party administrator or the insurer;

8 (G) the contract may not be assigned in whole or in part by the  
9 third-party administrator;

10 (H) if the contract permits the third-party administrator to do  
11 underwriting, the contract must include the following:

12 (i) the third-party administrator's maximum annual  
13 premium volume;

14 (ii) the rating system and basis of the rates to be  
15 charged;

16 (iii) the types of risks that may be

17 (iv) maximum limits of liability;

18 (v) applicable exclusions;

19 (vi) territorial limitations;

20 (vii) policy cancellation provisions;

21 (viii) the maximum policy term; and

22 (ix) that the insurer shall have the right to cancel or not  
23 renew a policy of insurance subject to applicable state law;

24 (I) if the contract permits the third-party administrator to  
25 administer claims on behalf of the insurer, the contract must include the  
26 following:

27 (i) written settlement authority must be provided by the  
28 insurer and may be terminated for cause upon the insurer's written  
29 notice sent by certified mail to the third-party administrator or upon the  
30 termination of the contract, but the insurer may suspend the settlement  
31 authority during a dispute regarding the cause of termination;

1 (ii) claims shall be reported to the insurer within 30  
2 days;

3 (iii) a copy of the claim file shall be sent to the insurer  
4 upon request or as soon as it becomes known that the claim has the  
5 potential to exceed an amount determined by the director or exceeds the  
6 limit set by the insurer, whichever is less, involves a coverage dispute,  
7 may exceed the third-party administrator's claims settlement authority,  
8 is open for more than six months, involves extra contractual  
9 allegations, or is closed by payment in excess of an amount set by the  
10 director or an amount set by the insurer, whichever is less;

11 (iv) each party to the contract shall comply with unfair  
12 claims settlement statutes and regulations;

13 (v) transmission of electronic data must occur at least  
14 monthly if electronic claim files are in existence; and

15 (vi) claim files shall be the sole property of the insurer;  
16 upon an order of liquidation of the insurer, the third-party administrator  
17 shall have reasonable access to and the right to copy the files on a  
18 timely basis; and

19 (J) the contract may not provide for commissions, fees, or  
20 charges contingent upon savings obtained in the adjustment, settlement, and  
21 payment of losses covered by the insurer's obligations; but a third-party  
22 administrator may receive performance-based compensation for providing  
23 hospital or other auditing services or may receive compensation based on  
24 premiums or charges collected or the number of claims paid or processed.

25 \* Sec. 15. AS 21.27.650 is amended by adding a new subsection to read:

26 (q) The director may, without advance notice or hearing, immediately suspend  
27 by order the registration of a third-party administrator if the director finds that one or  
28 more of the following circumstances exist:

29 (1) the third-party administrator is insolvent or impaired;

30 (2) a proceeding for bankruptcy, receivership, conservatorship, or  
31 rehabilitation, or another delinquency proceeding regarding the third-party

1 administrator has been commenced in any state or by a governmental agency of  
2 another jurisdiction;

3 (3) the third-party administrator is in an unsound condition, or is in a  
4 condition or using methods or practices that render its further transaction of insurance  
5 injurious to policy holders or the public.

6 \* Sec. 16. AS 21.27 is amended by adding a new section to article 4 to read:

7 **Sec. 21.27.660. Definitions.** In AS 21.27.630 - 21.27.660,

8 (1) "insurer" includes the Comprehensive Health Insurance  
9 Association created under AS 21.55.010 and any person issued or required to obtain a  
10 certificate of authority under this title to transact life insurance, annuities, and health  
11 insurance or to provide coverage for the cost of medical care;

12 (2) "transact" has the meaning given in AS 21.90.900.

13 \* Sec. 17. AS 21.27.900 is amended by adding a new paragraph to read:

14 (33) "appointment" means an act by a person evidencing a grant of  
15 authority to another to act on the grantor's behalf.

16 \* Sec. 18. AS 21.34.040(d) is amended to read:

17 (d) A nonadmitted insurer may be eligible to provide coverage in this state if it  
18 furnishes to the director a copy of its current annual statement that has been certified  
19 by the insurer. Except in the case of an alien insurer, the [THE] statement shall be  
20 provided **not** [NO] more than six months after the close of the period reported upon  
21 and that is either filed with and approved by the regulatory authority in the domicile of  
22 the nonadmitted insurer, or certified by an accounting or auditing firm licensed in the  
23 jurisdiction of the insurer's domicile. **An alien insurer shall provide the statement**  
24 **not later than nine months after the close of the reporting period.** In the case of  
25 an insurance exchange, the statement may be an aggregate combined statement of all  
26 underwriting syndicates operating during the period reported upon.

27 \* Sec. 19. AS 21.34.100(a) is amended to read:

28 (a) When surplus lines insurance is placed, the surplus lines broker shall  
29 promptly deliver to the named insured or the producing broker the policy or, if the  
30 policy is not then available, a [CERTIFICATE,] cover note, binder, or other evidence  
31 of insurance. The [CERTIFICATE,] cover note, binder, or other evidence of

1 insurance for the named insured shall be executed by the surplus lines broker and must  
2 contain a summary of all material facts that would regularly be included in the policy,  
3 the description and location of the subject of insurance, a general description of the  
4 coverages of the insurance, the premium and rate charged and taxes to be collected  
5 from the insured, the name and address of the insured, the name of each surplus lines  
6 insurer and the percentage of the entire risk assumed by each, the name of the surplus  
7 lines broker, and the license number of the surplus lines broker.

8 \* Sec. 20. AS 21.34.100(f) is amended to read:

9 (f) A producing broker or other licensee may issue to a person, other than  
10 the named insured, a certificate [EVERY CERTIFICATE ISSUED BY THE  
11 PRODUCING BROKER OR OTHER LICENSEE] as evidence of insurance  
12 negotiated, placed, or procured under this chapter. The certificate must bear the  
13 name of the surplus lines broker, which may not be covered, concealed, or obscured  
14 by the producing broker, and the following legend in at least 10-point type: "This is  
15 evidence of insurance procured and developed under the Alaska Surplus Lines Law,  
16 AS 21.34. It is not covered by the Alaska Insurance Guaranty Association Act,  
17 AS 21.80."

18 \* Sec. 21. AS 21.36.030(a) is amended to read:

19 (a) A person may not make, issue, circulate, broadcast, or have made, issued,  
20 circulated, or broadcast an estimate, circular, statement, illustration, comparison,  
21 assertion, or other written, electronic, or oral presentation that

22 (1) misrepresents the benefits, advantages, conditions, sponsorship,  
23 source, or terms of an insurance policy;

24 (2) misrepresents the dividends or share of the surplus to be received  
25 on an insurance policy;

26 (3) misrepresents an insurance policy as being a share or shares of  
27 stock;

28 (4) makes a false or misleading statement as to the dividends or shares  
29 of the surplus previously paid on an insurance policy;

30 (5) misrepresents or makes a misleading statement as to the financial  
31 condition of an insurer or as to the legal reserve system upon which a life insurer

1 operates;

2 (6) uses a name or title of an insurance policy or class of insurance  
3 policies misrepresenting its true nature;

4 (7) is a misrepresentation for the purpose of inducing, or that tends to  
5 induce the lapse, forfeiture, exchange, conversion, or surrender of an insurance policy;

6 (8) is a misrepresentation for the purpose of effecting or tending to  
7 effect a pledge or assignment of or loan against an insurance policy;

8 (9) appears to be an actual policy for a named individual when it is  
9 merely an advertisement;

10 (10) does not clearly designate the name of the insurer providing the  
11 coverage or about which the statements are made; or

12 (11) is in any other way misleading, false, or deceptive.

13 \* Sec. 22. AS 21.36.030(a) is amended to read:

14 (a) A person may not make, issue, circulate, broadcast, or have made, issued,  
15 circulated, or broadcast an estimate, circular, statement, illustration, comparison,  
16 assertion, or other written, electronic, or oral presentation that

17 (1) misrepresents the benefits, advantages, conditions, sponsorship,  
18 source, or terms of an insurance policy or a health discount plan;

19 (2) misrepresents the dividends or share of the surplus to be received  
20 on an insurance policy;

21 (3) misrepresents an insurance policy as being a share or shares of  
22 stock;

23 (4) makes a false or misleading statement as to the dividends or shares  
24 of the surplus previously paid on an insurance policy;

25 (5) misrepresents or makes a misleading statement as to the financial  
26 condition of an insurer or as to the legal reserve system upon which a life insurer  
27 operates;

28 (6) uses a name or title of an insurance policy or class of insurance  
29 policies misrepresenting its true nature;

30 (7) is a misrepresentation for the purpose of inducing, or that tends to  
31 induce the lapse, forfeiture, exchange, conversion, or surrender of an insurance policy;

1 (8) is a misrepresentation for the purpose of effecting or tending to  
2 effect a pledge or assignment of or loan against an insurance policy;

3 (9) appears to be an actual policy for a named individual when it is  
4 merely an advertisement;

5 (10) does not clearly designate the name of the insurer providing the  
6 coverage or about which the statements are made; [OR]

7 (11) is in any other way misleading, false, or deceptive;

8 (12) misrepresents a health discount plan as a form or type of  
9 insurance;

10 (13) describes a health discount plan using common insurance  
11 terminology; or

12 (14) misrepresents that a health discount plan is underwritten by  
13 or associated with an insurer.

14 \* Sec. 23. AS 21.36 is amended by adding a new section to read:

15 **Sec. 21.36.065. Limitation on owner controlled and contractor controlled**  
16 **insurance programs.** (a) An owner controlled insurance program or a contractor  
17 controlled insurance program is subject to both AS 21.39 and AS 21.42, must be  
18 approved by the director, and shall be allowed only for a major construction project.  
19 Owner controlled and contractor controlled insurance programs are limited to property  
20 insurance as defined in AS 21.12.060 and casualty insurance as defined in  
21 AS 21.12.070.

22 (b) In this section, an owner controlled or contractor controlled insured  
23 program does not include

24 (1) builder's risk or course of construction insurance;

25 (2) insurance relating to the transportation of cargo or other property;

26 (3) insurance covering one or more affiliates, subsidiaries, partners, or  
27 joint venture partners of a person; or

28 (4) insurance policies endorsed to name one or more persons as  
29 additional insureds.

30 (c) In this section,

31 (1) "contractor" means a person who meets the definition of

1 "contractor" in AS 08.18.171 and who undertakes the performance of a construction  
2 project for a project owner, its agent, or its representative;

3 (2) "contractor controlled insurance program" means an insurance  
4 program where one or more insurance policies are procured on behalf of a contractor,  
5 its agent, or its representative, by its insurance producer, as defined in AS 21.27.900,  
6 for the purpose of insuring the contractor and one or more of the following:

7 (A) the project owner;

8 (B) a subcontractor;

9 (C) an architect;

10 (D) an engineer; or

11 (E) a person performing professional services;

12 (3) "major construction project" means the process of constructing a  
13 structure, building, facility, or roadway or major renovation of more than 50 percent of  
14 an existing structure, building, facility, or roadway having a contract cost of more than  
15 \$50,000,000 of a definite term at a geographically defined project site;

16 (4) "owner controlled insurance program" means an insurance program  
17 where one or more insurance policies are procured on behalf of a project owner, its  
18 agent, or its representative, by its insurance producer, as defined in AS 21.27.900, for  
19 the purpose of insuring the project owner and one or more of the following:

20 (A) the contractor;

21 (B) a subcontractor;

22 (C) an architect;

23 (D) an engineer; or

24 (E) a person performing professional services;

25 (5) "project owner" means a person who, in the course of the person's  
26 business, engages the service of a contractor for the purpose of working on a  
27 construction project;

28 (6) "subcontractor" means a person to whom a contractor sublets all or  
29 part of a contractor's initial undertaking.

30 \* Sec. 24. AS 21.36 is amended by adding a new section to read:

31 **Sec. 21.36.155. Health discount plans.** (a) A person may not sell, market,

1 promote, advertise, or otherwise distribute a health discount plan unless

2 (1) each advertisement, policy, document, information, statement, or  
3 other communication regarding the health discount plan and the plan itself contain a  
4 statement, in bold and prominent type, that the health discount plan is not insurance;

5 (2) the discounts offered under the health discount plan are specifically  
6 authorized by a contract with each provider of the services or supplies listed in  
7 conjunction with the plan;

8 (3) the health discount plan states the name, address, and telephone  
9 number of the administrator of the plan;

10 (4) the person makes readily available to the consumer a complete,  
11 accurate, and up-to-date list of providers participating in the plan that offer discounted  
12 health care services or supplies in the consumer's local area and the discounts offered  
13 by the providers;

14 (5) the person provide. the consumer the right to cancel the health  
15 discount plan within 30 days after purchase of the plan; and

16 (6) the person provides the consumer with a full refund of all payments  
17 made, except for a nominal processing fee, within 30 days after notification of  
18 cancellation of the plan under (5) of this subsection.

19 (b) The director may adopt regulations to implement this section and to  
20 establish additional requirements intended to prohibit unfair or deceptive practices  
21 relating to health discount plans.

22 \* **Sec. 25.** AS 21.36.190 is amended by adding a new subsection to read:

23 (f) Except as provided in AS 21.36.065, an insurer, whether authorized or  
24 unauthorized, may not underwrite an owner controlled insurance program or  
25 contractor controlled insurance program. In this subsection, "owner controlled  
26 insurance program" and "contractor controlled insurance program" have the meanings  
27 given in AS 21.36.065.

28 \* **Sec. 26.** AS 21.36.195 is amended to read:

29 **Sec. 21.36.195. Surplus lines brokers and insurance producers; prohibited**  
30 **acts.** A surplus lines broker or an insurance producer may not fail to provide evidence  
31 of insurance, [AFFIDAVITS,] filings, or reports, or fail to maintain the records, or fail

1 to pay the taxes and fees, required under AS 21.34.

2 \* **Sec. 27.** AS 21.51 is amended by adding a new section to read:

3 **Sec. 21.51.405. Rate requirements.** Rates charged for a health insurance  
4 policy may not be excessive, inadequate, or unfairly discriminatory.

5 \* **Sec. 28.** AS 21.55.500(16) is amended to read:

6 (16) "plan administrator" means an [THE] eligible entity that is  
7 licensed as a third-party administrator under AS 21.27 and is selected by the  
8 board and approved by the director to administer a state plan;

9 \* **Sec. 29.** AS 21.66.080(a) is amended to read:

10 (a) Every company, on or before March 1 of each year, shall furnish the  
11 director or the director's designee a sworn statement of assets and liabilities, and of  
12 all title premiums received by it during the preceding calendar year, setting out, among  
13 other things, the amounts that have been set aside and held by it in an account required  
14 under AS 21.18.073. The reporting format for a given year is the most recently  
15 approved National Association of Insurance Commissioners Annual Financial  
16 Statement blank form and instructions, supplemented for additional information as  
17 required by the director. The director may require the statement to be filed on  
18 electronic media. The statement must also show all unpaid losses and claims upon  
19 title insurance policies of which the title insurance company has received due notice in  
20 writing from or on behalf of the insured. With the filing of the statement, the title  
21 insurance company shall pay a filing fee set under AS 21.06.250.

22 \* **Sec. 30.** AS 21.66.085(b) is amended to read:

23 (b) A quarterly financial statement, if required, is due 45 [60] days after the  
24 end of the quarter to which it applies.

25 \* **Sec. 31.** AS 21.85 is amended by adding new sections to read:

26 **Article 2. Self-Funded Governmental Plans.**

27 **Sec. 21.85.205. Applicability.** A self-funded governmental plan that is  
28 exempt from coverage under a group policy covering state employees and their  
29 dependents under AS 39.30.090 and regulations adopted under that section shall  
30 comply with the provisions of AS 21.85.210 - 21.85.230.

31 **Sec. 21.85.210. Filing requirements.** (a) A self-funded governmental plan

1 shall annually file

2 (1) an audited statement of financial condition and a statement of  
3 change in financial condition for the fiscal year affirmed by a trustee of the plan;

4 (2) an actuarial memorandum from a qualified actuary that

5 (A) certifies to the adequacy of reserves, contribution rates and  
6 stop-loss insurance coverage;

7 (B) describes the financial condition of the plan, including any  
8 recommended actions the plan should take to improve the financial condition  
9 of the plan if the qualified actuary believes the financial condition of the plan  
10 needs to be improved to remain solvent;

11 (3) the name and contact information of each person providing  
12 administrative and consulting services to the plan;

13 (b) A self-funded governmental plan shall file additional information as  
14 requested by the director relating to the financial condition, transactions, and affairs of  
15 the plan.

16 **Sec. 21.85.215. Minimum standards.** A self-funded governmental plan shall

17 (1) operate under a trust agreement under the governance of a board of  
18 trustees that is responsible for all operations of the plan; a trustee may not be an  
19 owner, officer, or employee of the administrator of the plan;

20 (2) maintain a fidelity bond issued by an authorized insurance  
21 company covering each trustee of the plan in an amount not less than ten percent of  
22 the benefits paid during the preceding fiscal year up to a maximum of \$500,000;

23 (3) establish and maintain stop-loss coverage, reserves and  
24 contribution rates at a level recommended and certified to by a qualified actuary for  
25 the plan to remain financially solvent;

26 (4) maintain adequate facilities and competent personnel, as  
27 determined by the director, to service the plan or contract with a third-party  
28 administrator registered under AS 21.27 to service the plan;

29 (5) provide each participant a summary plan description as described  
30 in 29 U.S.C. 1022, 29 CFR 2520.102-2, 29 CFR 2520.102-3, and 29 CFR 2520.102-4.

31 **Sec. 21.85.225. Additional standards.** In addition to the provisions

1 contained or referred to in AS 21.85.205 - 21.85.230, the following chapters and  
 2 provisions of this title also apply with respect to a self-funded governmental plan to  
 3 the extent applicable and not in conflict with the express provisions of AS 21.85.205 -  
 4 21.85.230 and the reasonable implications of the following chapters and provisions,  
 5 and, for the purposes of the application, the plan shall be considered to be a mutual  
 6 insurer:

7 (1) AS 21.03;

8 (2) AS 21.06;

9 (3) AS 21.07;

10 (4) AS 21.09.100, 21.09.300, and 21.09.320;

11 (5) AS 21.18.080 - 21.18.086, and 21.18.100;

12 (6) AS 21.36;

13 (7) AS 21.42.345 - 21.42.365, and 21.42.375 - 21.42.500;

14 (8) AS 21.54;

15 (9) AS 21.78;

16 (10) AS 21.90.

17 **Sec. 21.85.230. Regulations.** The director may adopt regulations to  
 18 implement AS 21.85.205 - 21.85.225, including a requirement that a self-funded  
 19 governmental plan includes coverages and standards that are required under this title  
 20 for insurance policies of the same type of risk or risks that the self-funded  
 21 governmental plan is intended to cover.

22 \* **Sec. 32.** AS 21.85.500 is amended by adding a new paragraph to read:

23 (9) "self-funded governmental plan" means a governmental plan as  
 24 defined under 29 U.S.C. 1002<sup>(32)</sup>(Employee Retirement Income Security Act of 1974),  
 25 that

26 (A) is not a federal governmental plan as defined under  
 27 AS 21.54.500; and

28 (B) does not provide for payment of benefits under the plan  
 29 solely through a policy of insurance issued by one or more authorized  
 30 insurance companies.

31 \* **Sec. 33.** AS 21.90.900(42) is amended to read:

1 (42) "third-party administrator" means a person who, for residents of  
2 this state, or for residents of another jurisdiction from a place of business in this state,  
3 performs administrative functions including claims administration and payment,  
4 marketing administrative functions, premium accounting, premium billing, coverage  
5 verification, underwriting authority, or certificate issuance in connection with life  
6 insurance, annuities, health insurance, or the provision of coverage for the cost of  
7 medical care [REGARD TO LIFE INSURANCE, HEALTH INSURANCE, OR  
8 ANNUITIES];

9 \* Sec. 34. AS 21.90.900(43) is amended to read:

10 (43) "transact," with respect to insurance or the provision of coverage  
11 for medical care, includes

12 (A) solicitation and inducement;

13 (B) preliminary negotiations;

14 (C) effectuation of a contract of insurance or the provision of  
15 coverage for medical care;

16 (D) transaction of matters subsequent to effectuation of the  
17 contract of insurance or the provision of coverage for medical care and  
18 arising out of it;

19 \* Sec. 35. AS 21.90.900 is amended by adding a new paragraph to read:

20 (45) "health discount plan" means a card, program, device,  
21 arrangement, contract, or mechanism that purports to offer discounts or access to  
22 discounts on health care services or supplies and that is not insurance or that does not  
23 provide coverage for services or benefits regulated under AS 21.86 or AS 21.87.

24 \* Sec. 36. AS 21.24.040(b); AS 21.27.330(b), and 21.27.650(p) are repealed.

25 \* Sec. 37. The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 TRANSITION: REGULATIONS. The director of insurance may proceed to adopt  
28 regulations to implement the changes made by secs. 22, 24, and 35 of this Act. The  
29 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the  
30 effective date of secs. 22, 24, and 35 of this Act.

31 \* Sec. 38. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 REVISOR'S INSTRUCTIONS. (a) The revisor of statutes is instructed to change the  
3 heading of AS 21.85 from "Regulation of Multiple Employer Welfare Arrangements" to  
4 "Regulation of Self-Funded Employer Plans."

5 (b) The revisor of statutes is instructed to designate AS 21.85.010 - 21.85.100 as  
6 "Article 1. Self-funded Multiple Employer Welfare Arrangements" and to designate  
7 AS 21.85.500 as "Article 3. General Provisions."

8 \* **Sec. 39.** Sections 22, 24, and 35 of this Act take effect July 1, 2005.

9 \* **Sec. 40.** Except as provided in sec. 39 of this Act, this Act takes effect immediately under  
10 AS 01.10.070(c).

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Frank H. Murkowski, Governor

P.O. BOX 110300  
JUNEAU, ALASKA 99811-0300  
PHONE: (907)465-3600  
FAX: (907)465-2075

May 5, 2005

The Honorable Senator Lyda Green  
Co-Chair Senate Finance Committee  
Alaska State Legislature  
State Capitol, room 516  
Juneau, AK 99801

Re: Proposed amendments to CS HB 147(FIN)am relating to self funded governmental plans

Dear Senator Green:

We have been asked to comment on whether certain amendments relating to the regulation of self funded governmental plans under the insurance code (AS 21) would be fairly covered by the title of CS HB 147(FIN)am. We understand that the proposed amendments would be drawn from sections 31, 32, and 38 of CSSB 108 (L&C).

In pertinent part, the title of CS HB 147 (FIN)am includes "relating to the eligibility to provide coverage by a nonadmitted insurer and alien insurer." We understand that a self funded governmental plan may be considered a nonadmitted insurer. A nonadmitted insurer is an unauthorized insurer. AS 21.90.900(30). An unauthorized insurer is an insurer that is not authorized to transact insurance in the state. AS 21.90.900(44). In general terms, this means that an entity acting as an insurer does not hold a certificate of authority to operate in this state. AS 21.09.010. Under existing law, a self-funded governmental plan is not authorized to transact insurance in the state. Because such a plan may be transacting insurance in providing coverage to employers under the plan, it is literally a "nonadmitted insurer" and the provisions of the amendment are intended to establish certain eligibility criteria for these plans to transact insurance in the state without obtaining a certificate of authority.

The title of CS HB 147(FIN)am would be descriptive of the material to be taken from CSSB 108 (L&C). In this regard, the Alaska Supreme Court has observed that the purpose of the descriptive title requirement set out in Article II, Sec. 13 of the Alaska Constitution is to guard against inadvertence, stealth, and fraud in legislation. *State v. A.L.I.V.E. Voluntary*, 606 P.2d 769 (Alaska 1980); see also *Suber v. Alaska State Bond Committee*, 414 P.2d 545 (Alaska 1966); *Gellert v. State*, 522 P.2d 1120 (Alaska 1974).

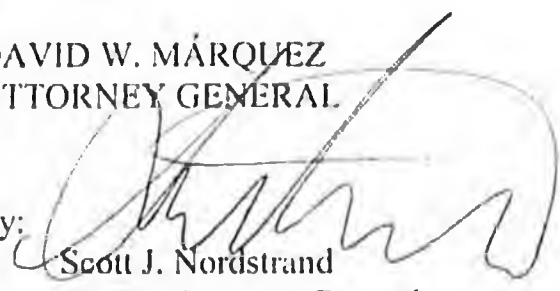
The law enacted in the bill would not be set aside unless the violation of the descriptive title rule is "both substantial and plain." *Suber* 414 P.2d at 557.

We conclude that the material of the proposed amendment is germane to the subject matter indicated in the title to CSHB 147(FIN)am and, if the committee so desires, the title does not need to be changed in order to include the material relating to self funded governmental plans.

Sincerely,

DAVID W. MARQUEZ  
ATTORNEY GENERAL

By:



Scott J. Nordstrand  
Deputy Attorney General

FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

HB 147  
P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

February 11, 2005

The Honorable John Harris  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Harris:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting an omnibus insurance bill.

The bill would make changes to certain insurance licensing provisions to provide more efficient licensing processes and to bring Alaska's law into greater conformity with other states' laws. It would make minor changes to the surplus lines statutes to clean up language and to make reporting easier for alien insurers.

The bill also would make changes to the requirements for the administration of insurer deposits and would provide authorization for insurer deposits to be paid to the state insurance guaranty funds rather than becoming an asset of an insolvent insurer. Finally, the bill would give the Division of Insurance in the Department of Commerce, Community, and Economic Development the authority to regulate health discount plans, would clarify the state's regulation of guaranteed auto protection products and motor vehicle service contracts, and would provide for oversight of certain self-funded governmental plans.

A sectional analysis, describing the bill in more detail, is available from the division of insurance.

In sum, this omnibus insurance bill will make the regulation of insurance more efficient for the state, easier for industry, and at the same time give heightened protection to Alaska insurance consumers. I urge your prompt and favorable action on this measure.

Sincerely yours,

Handwritten signature of Frank H. Murkowski in cursive script.  
Frank H. Murkowski  
Governor

Enclosure

**HB**

**148**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 5  
Bill Version: CSHB 148(JUD)  
(H) Publish Date: 4/6/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
Title: "An Act relating to trafficking of persons" RDU: Alaska State Troopers  
Component: AST Detachments  
Sponsor: Representative Kertula  
Requester: House Judiciary Component No.: 2325

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill creates a new section in AS 11.41 that makes it a crime to engage in the trafficking of persons. The intent is to stop forced labor, forced sexual conduct, involuntary servitude, or a person from benefiting financially by this type of conduct. It prohibits servitude that causes a person to believe that they or another will suffer physical injury or physical restraint. It provides penalties for the crime by adding it to current statutes.

Passage of this bill will have no fiscal impact on the Department of Public Safety.

Prepared by: Lieutenant Todd Sharp Phone: 907-465-3223  
Division: Alaska State Troopers Date/Time: 3/7/05 11:56 AM  
Approved by: Commissioner William Tondek Date: 3/7/2005  
Agency: Department of Public Safety

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# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 4  
Bill Version: CSHB 148(JUD)  
(H) Publish Date: 4/6/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: LAW  
Title "An Act relating to trafficking of persons." RDU CRIMINAL  
Component Criminal Justice Litigation  
Sponsor Representative Kerrtula  
Requester House Judiciary Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill amends AS 11.41 by adding a new section adding the crime of trafficking of persons to offenses against a person and amends sentencing statutes classifying the crime of trafficking of persons as an unclassified felony and provides for a sentence of at least 10 but not more than 99 years of definite imprisonment.

The Department of Law does not expect many prosecutions to result from this statute change and thus does not anticipate any fiscal impact from its passage.

Prepared by: Kathryn Daughhete, Director Phone: 465-3673  
Division: Administrative Services Division Date/Time: 3/6/05 12:59 PM  
Approved by: K. Daughhete for Scott Nordstrand, Acting Attorney General Date: 3/6/2005  
Agency: Department of Law

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSHB 148(JUD)  
(H) Publish Date: 4/6/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
Title Trafficking in Persons BRU Alaska Court System  
Sponsor Representative Kerttula Component Trial Courts  
Requester \_\_\_\_\_ Component No. 768

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The court system does not anticipate any fiscal impact from the passage of HB 148.

Prepared by: Douglas Wooliver, Administrative Attorney Phone 463-4750  
Division: Alaska Court System Date/Time: 3/3/05 2:13 PM  
Approved by: Doug Wooliver for Stephanie Cole, Administrative Director Date: 5/3/2005  
Agency: Alaska Court System

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: C/S/H/B 148(JUD)  
(H) Publish Date: 4/6/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Corrections  
Title: "An act relating to the trafficking of persons." RDU: Institutional Facilities  
Component: Institution Director's Office  
Sponsor: Rep: Kertula, Crott, Gara, Gruenberg, McGuire  
Requester: Judiciary, Finance Component No.: 524

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

Due to the extremely small number of potential cases, the Department of Corrections does not anticipate a significant fiscal impact due to the passage of this legislation.

Prepared by: Sharleen Griffin, Acting Director  
Division: Administrative Services  
Approved by: Portia C.K. Parker, Deputy Commissioner  
Agency: Department of Corrections

Phone: 465-4641  
Date/Time: 3/7/05 3:35 PM  
Date: 3/7/2005

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 148(JUD)  
(H) Publish Date: 4/6/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
Title: An Act relating to trafficking RDU: Legal and Advocacy Services  
of persons. Component: Public Defender Agency  
Sponsor: Reps. Kertulla, Croft, Gara...  
Requester: House Judiciary Component No.: 1631

### Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

### POSITIONS

Full-time						
Part-time						
Temporary						

### ANALYSIS: (Attach a separate page if necessary)

This bill creates a new unclassified felony offense (sentence of 5-99 years) of trafficking in persons. The crime requires that a person recruit, harbor, transport, provide or obtain another person to engage in forced labor, sexual conduct, or involuntary servitude, or benefit from participating in such a venture. This bill, if enacted, is not expected to have a significant fiscal impact on the operations of the Agency.

Prepared by: Linda K. Wilson, Deputy Director  
Division: Public Defender Agency  
Approved by: Michael Tibbles, Deputy Commissioner  
Agency: Department of Administration

Phone: (907)334-4416  
Date/Time: 3/8/05 12:04 PM  
Date: 3/8/2005

# Alaska State Legislature

Representative Beth Kerttula  
State Capitol  
Juneau, AK 99801-1182



Representative Les Gara  
State Capitol  
Juneau, Alaska 99801-1182

## HB 148

### TRAFFICKING OF PERSONS SPONSOR STATEMENT

The U.S. State Department estimates that between 600,000 – 800,000 men, women and children are trafficked across international borders every year. Traffickers lure victims to other countries with the promise of a better life and good paying jobs. However, once traffickers have them under their control victims are subjected to forced labor, sexual exploitation and involuntary servitude. Profits from trafficking fuel the growth of organized crime in the United States and worldwide.

Alaska is not immune to the horrors of human trafficking. In 2001, three men were convicted of sex trafficking six Russian women and girls under the federal Victims of Trafficking and Violence Protection Act of 2000. There are indications that trafficking continues in our state. This bill was introduced to help the victims of this modern day slavery.

HB 148 would criminalize the trafficking of persons by making it an unclassified felony in the State of Alaska so that traffickers can be prosecuted at the state as well as the federal level. Under HB 148, a person commits the crime of trafficking of persons if they recruit, harbor, transport, provide or obtain by any means another person knowing that force, fraud or coercion will be used to cause the person to engage in forced labor, sexual conduct or involuntary servitude. The crime of trafficking also includes a person who benefits from participation in any venture involving forced labor, sexual conduct or involuntary servitude.

Human trafficking is abhorrent and must be stopped. HB 148 will allow the state to prosecute those who bring this terrible practice to Alaska.

CSHB 148 (JUD)

**"An Act relating to human trafficking; and providing for an effective date."**

**\* Section 1.** AS 11.41 is amended by adding new sections to read:

**Sec. 11.41.310. Human trafficking in the first degree.** (a) A person commits the crime of human trafficking in the first degree if the person compels or induces another person to come to this state to engage in sexual conduct, adult entertainment, or labor in the state by force or threat of force against any person, or by deception.

(b) In this section,

(1) "adult entertainment" means the conduct described in AS

23.10.350(f)(1) - (3);

(2) "deception" has the meaning given in AS 11.46.180;

(3) "sexual conduct" has the meaning given in AS 11.66.150.

(c) Human trafficking in the first degree is a class A felony.

**Sec. 11.41.315. Human trafficking in the second degree.** (a) A person commits the crime of human trafficking in the second degree if the person obtains a benefit from the commission of human trafficking under AS 11.41.310, with reckless disregard that the benefit is a result of the trafficking.

(b) Human trafficking in the second degree is a class B felony.

**\* Sec. 2.** This Act takes effect July 1, 2005.

# Alaska State Legislature

Representative Beth Kerttula  
State Capitol  
Juneau, AK 99801-1182



Representative Les Gara  
State Capitol  
Juneau, Alaska 99801-1182

## MEMORANDUM

**DATE:** February 15, 2005

**TO:** House Judiciary Committee  
Representative Lesil McGuire

**FROM:** Representative Beth Kerttula & Representative Les Gara

**RE:** Sectional Analysis for HB 148, Trafficking of Persons  
(Version No. 24-LS0449(G))

---

**Section 1:** Amends AS 11.41 by adding a new section in Article 3 - Kidnapping and Custodial Interference criminalizing the trafficking of persons.

**Section 2:** Amends AS 11.81.250(a) - Classification of Offenses to include trafficking of persons in the list of crimes that are not classified on the basis of their seriousness.

**Section 3:** Amends AS 81.250(b) - Classification of Offenses to include trafficking of persons in the list of crimes that are not designated in a particular section because they are not classified.

**Section 4:** Amends AS 12.55.125(b) - Sentencing and Probation - Sentences of Imprisonment for Felonies to add trafficking of persons to the list of crimes that mandates convicted defendants shall be sentenced to a term of at least 5 years but not more than 99 years.

**Section 5:** Amends uncodified law to add a new section stating that this Act applies to offenses committed on or after the effective date of this Act.

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April 12, 2005

Representative Beth Kerttula  
Alaska State Legislature  
District  
State Capitol  
Juneau, Alaska 99801-1182

VIA FACSIMILE: 907-465-4748

Re: HB 148: Trafficking of Persons

Dear Beth,

I enjoyed very much speaking with you about HB 148 and I appreciate your letter of March 28, 2005 asking for suggestions or comments.

I share your concern that people (mostly women) may be brought into Alaska under circumstances that render them virtual slaves and I applaud your efforts to strengthen Alaska's criminal code to allow vigorous prosecution of those responsible.

I think HB 148 does a good job dealing with the issue in a succinct manner. I have only one concern. It appears to me that amended Alaska Statute 11.41.310(a) would criminalize inducing another person by deception to take a job in Alaska. While sometimes people may be induced to come to Alaska by false promises regarding potential jobs or misrepresentations about wages or benefits, I do not believe these actions are appropriately the target of HB 148. Other statutes, such as AS 11.46.160 (Theft by Deception) or AS 11.46.600 (Scheme to Defraud) cover situations in which persons are induced to come to the state by deception. It seems HB 148 is aimed at persons inducing others to enter or remain in the state by falsely telling their victims that unless they perform the services required the victims will suffer some sort of governmental penalty - civil, immigration or criminal. As I recall that was one part of the situation in the federal prosecution involving the Russian folk dancers. Accordingly, I offer the following rewrite of the proposed AS 11.41.310 as follows:

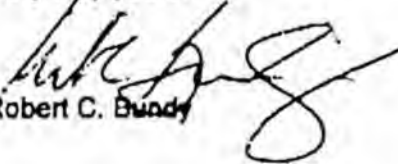
**Sec. 11.41.310. Human trafficking in the first degree.** (a) A person commits the crime of human trafficking in the first degree if the person compels or induces another person to enter or remain in the state to engage in sexual conduct, adult entertainment, or labor in the state by force or threat of force against any person, or by deceiving any person that any person will suffer a government administrative or criminal penalty unless that person engages in sexual conduct, adult entertainment, or labor in this state.

Representative Beth Kerttula  
April 12, 2005  
Page 2

Thank you for the opportunity to comment on this important legislation. I have every confidence that the final legislation will be well considered under your guidance.

Also, unfortunately, the Gender Equality Section of the Alaska Bar could not be of assistance. Generally, Bar Sections do not comment on legislation. This is especially true in the Gender Equality Section since two of the executive committee members are judges.

Very truly yours,



Robert C. Bundy

Center for Women Policy Studies



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State Policy Studies

## Fact Sheet from National Institute on State Policy on Trafficking of Women and Girls

Published 2004

### Brief Description:

This fact sheet was prepared for the National Conference of State Legislators' Annual Meeting, held in Salt Lake City, Utah, in July 2004.

### Full Text of Report:

## History of the National Institute on State Policy on Trafficking of Women and Girls

Since 1998, the Center for Women Policy Studies has focused its attention on the issue of trafficking of women and girls as a joint federal/state policy obligation. Indeed, although most of what we read and hear is about the horrors of sexual trafficking in other countries, the United States is a major "destination" country for traffickers and so we too are implicated in this most appalling violation of women's and girls' basic human rights.

Yet to date, elected officials in many states are unaware that women and girls are trafficked into their states and that states can – and must – play a major role, in partnership with federal agencies, in addressing the crisis we face as a trafficking destination country.

In many ways, the Center's work on sexual trafficking of women and girls into the United States is the next stage of its founders' leadership, beginning in 1972, to define violence against women and girls as a public policy issue – at a time when it was considered a personal problem in the "private" sphere and not relevant to the "public" sphere. Today, the Center continues this tradition – addressing all forms of violence against women, including trafficking, through our multiethnic feminist lens and in the context of women's human rights analyses.

The Center's prior work on trafficking of women and girls as a state policy concern has been extensive, including:

- convening a first-ever **workshop** on trafficking at the National Conference of State Legislatures (NCSL) annual meeting in 1999 – at which more than 50 legislators learned about the issue for the first time;
- participation on a first-ever panel, "The Price of People: Trafficking and the Role of the State," at the 2003 NCSL annual meeting;
- co-sponsorship of **statewide conferences** on trafficking of women and girls as a state policy issue – in **Washington** in November 2001 and in **Minnesota** in October 2003;
- preparation of **criteria for state legislation** and the **fact sheet on state trafficking laws**;
- participation at **state legislative briefings** to bring the issues to state legislators, advocates and state officials – in **Connecticut** in 2003 and **North Carolina** in 2004;
- providing **assistance to state legislators** in these and several other states to develop legislative initiatives.



Today, the Center is working with legislators and supporters in more than a dozen states – including California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Kentucky, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, and Washington.

The Center's success to date is dependent on the leadership of our national network of state legislators in all 50 states, the District of Columbia, and territories – who have joined the Center to implement the principles of the 1995 UN Conference on Women (Beijing) Platform for Action, signed by the United States. The Center's **Contract With Women of the USA** – the Beijing Platform "translated" into US-relevant terms – guides our **State Legislators Initiative** and its women's human rights policy agenda.

Through our **Foreign Policy Institute for State Legislators**, the Center educates a selected group of state legislators each year on the US foreign policy process and the impact of foreign policy and foreign assistance on women worldwide. The **Institute** prepares legislators to understand – and then influence – the foreign policy of the United States as it affects women and girls worldwide; the **Institute** also helps legislators clarify the links between the global and the local, including the women's human rights issues they address in their communities and states. We have graduated 44 legislators in the first four years of the **Institute** (2001-2004). Graduates of the **Institute** have taken leadership to bring the issue of trafficking to their communities and states and are the sponsors of most of the legislative initiatives described below.

#### State Legislative Initiatives

The Center for Women Policy Studies works with state legislators to develop legislative initiatives:

- to make trafficking a **state felony offense** with appropriately harsh punishments for traffickers and protections for the women and girls who have been trafficked into our communities;
- to create **expert study commissions or task forces** to determine the nature and extent of trafficking in each state and make recommendations for legislative, policy, and programmatic initiatives; and,
- to regulate "**bride trafficking**" by commercial "mail order bride" or "international matchmaking organizations" that operate in the state.

The following information is current as of June 2004. We will update the **Fact Sheet** regularly and ask you to share information with us about initiatives in your state by sending an email to [lwolfe@centerwomenpolicy.org](mailto:lwolfe@centerwomenpolicy.org).

#### Criminalization Statutes

Legislatures in Washington, Texas, Missouri, and Florida have enacted laws to make trafficking a state felony.

**Washington:** HB 1175 establishes the class A felony offense of first- and second-degree sex trafficking and labor trafficking in the state of Washington. Under standard sentencing guidelines, a first-degree offense carries a maximum punishment of 14 years in prison; in the second-degree, the maximum is nine years. Such factors as the age of the victim and whether the victim was kidnapped or killed are considered in determining the severity of the charge. Victims of trafficking also may sue for damages and for the cost of bringing the suit; a civil fine of up to \$250,000 may also be levied by the court. **Effective Date:** July 27, 2003.

**Texas:** HB 2096 establishes the first-degree felony of trafficking or transporting of persons who are younger than 14 at the time of the offense or if the commission of the offense results in the death of the person who is trafficked. Otherwise, the offense is a second-degree felony. According to the Texas Criminal Justice Policy Council, the punishment range for a first-degree felony offense is five to 99 years imprisonment; the range for a second-degree felony offense is two to 20 years imprisonment. **Effective Date:** September 1, 2003.

**Missouri:** HB 1487 makes changes to the laws regarding crimes against persons, establishing:

a class A felony of sexual trafficking of a child; class B felonies of abusing an individual through forced labor and of trafficking for either forced labor or sexual exploitation; and, a class D felony of contributing to human trafficking through the misuse of documentation. As part of the sentencing for a human trafficking offense, the court must order the perpetrator to pay restitution to the victim. Victims of any one of these five crimes also shall be afforded the rights and protections provided in the federal *Trafficking Victims Protection Act of 2000*. **Effective Date:** August 28, 2004.

**Florida:** SB 1962 establishes the first degree felony of sex trafficking for parents, legal guardians, or other persons having custody of a minor who sell, transfer custody, or offer to sell or transfer custody of the minor for the purpose of sex trafficking or prostitution. The bill further establishes two second degree felonies: obtaining forced labor; and, sex trafficking and human trafficking for anyone who knowingly participates in trafficking for purposes of forced labor or prostitution. Any sex trafficking activity that results in death or is committed against a person who is under the age of 14 is considered a first degree felony. **Effective Date:** October 1, 2004.

#### Expert Study Commissions and Task Forces

State task forces on trafficking have been established by statute in **Washington** and **Connecticut**. **Idaho** has created a fact finding and education committee. In addition, non-legislative efforts are underway in several states – led by state women's organizations, violence against women programs and providers, and anti-trafficking groups – to study the nature and extent of trafficking in the state and make policy recommendations.

**Washington:** HB 2381 created the *Washington State Task Force Against the Trafficking of Persons* in 2002 to: measure and evaluate the progress of the state in trafficking prevention activities; identify available federal, state, and local programs that provide services to victims of trafficking; and, make recommendations on methods to provide a coordinated system of support and assistance to victims of trafficking. **Effective Date:** June 13, 2002. The *Task Force* expired on March 1, 2003 but was extended until June 30, 2004 (HB 1090). **Effective Date:** May 14, 2003.

**HR 4707** recognizes and honors the Office of Crime Victims Advocacy and the *Washington State Task Force Against the Trafficking of Persons* for its accomplishments in leading the country in taking action against human trafficking. **Adopted:** March 4, 2004.

**Connecticut:** HB 5358 establishes an interagency task force on trafficking in persons to: collect data on the nature of trafficking in the state and evaluate the state's progress on trafficking; identify available federal, state, and local programs that provide services to trafficking victims; evaluate approaches to increase public awareness of trafficking; analyze and make recommendations regarding existing state criminal statutes' ability to address trafficking; and, make recommendations on preventing trafficking, assisting victims, and prosecuting traffickers. The task force is required to report its findings and recommendations to the General Assembly by January 1, 2006. **Effective Date:** October 1, 2004.

#### International Matchmaking Organizations – Regulation of "Bride Trafficking"

Legislatures in **Hawaii**, **Texas**, and **Washington** have passed laws to regulate "international matchmaking organizations" (IMOs) that operate in the state. A federal bill, modeled on the **Washington** statute, is pending before Congress, introduced by Senator Maria Cantwell (D-WA) and Representative Rick Larsen (D-WA).

**Hawaii:** HB 135 allows persons living abroad who use for-profit matchmaking services to gain access to criminal conviction and marital history information from prospective spouses residing in the United States ("clients"); Each IMO must notify all foreign women ("recruits") in their native language that criminal history records and marital history information about any Hawaii resident is available upon request. The IMO also must disseminate this information upon request in the recruit's native language and refrain from providing any further services that facilitate interaction between the recruit and the client until the information has been submitted to the IMO. The punishment for a violation of the law is a fine of up to \$500 and up to 30 days imprisonment. **Effective Date:** January 1, 2004.

**Texas:** HB 177 requires IMOs to provide each foreign recruit with the criminal history record information and marital history information of the IMO's clients and with basic rights information in

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

a class A felony of sexual trafficking of a child; class B felonies of abusing an individual through forced labor and of trafficking for either forced labor or sexual exploitation; and, a class D felony of contributing to human trafficking through the misuse of documentation. As part of the sentencing for a human trafficking offense, the court must order the perpetrator to pay restitution to the victim. Victims of any one of these five crimes also shall be afforded the rights and protections provided in the federal *Trafficking Victims Protection Act of 2000*. **Effective Date:** August 28, 2004.

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**Texas:** HB 177 requires IMOs to provide each foreign recruit with the criminal history record information and marital history information of the IMO's clients and with basic rights information in

the recruit's native language. The IMO must disseminate this information no later than the 30<sup>th</sup> day after the date it receives the information from the client and must pay the costs incurred to translate this information into the recruit's native language. The IMO may not provide any further services to the client or recruit until it has obtained the requested information from the client and provided it to the recruit. An IMO that violates the law is subject to a civil penalty not to exceed \$20,000 for each violation. **Effective Date:** September 1, 2003.

**Washington:** HB 1826 requires IMOs to provide information to foreign women, upon request, on state background checks and personal histories of Washington residents seeking to meet foreign women (potential recruits). The IMO must notify all potential recruits that background check and personal history information is available upon request. Once the resident is notified of the recruit's request for background information, the IMO must refrain from providing any further services that facilitate future interaction between the recruit and the resident until the IMO has obtained the requested information from the resident. **Effective Date:** July 27, 2003.

#### Sex Tourism

**Hawaii:** HB 2020 makes it a class C felony to knowingly sell or offer to sell travel services that include or facilitate travel for the purpose of engaging in prostitution. It authorizes the suspension or revocation of travel agency registration for engaging in these acts. The bill emphasizes that prostitution and sex tourism contribute to the trafficking of persons, and seeks to discourage sex tourism as a way to reduce the demand for sex trafficking. **Effective Date:** May 19, 2004.

#### Sponsors

##### Criminalization Statutes

##### Washington

**HB 1175 Sponsors:** Representatives Veloria, Roach, O'Brien, Conway, Clements, Lantz, Linville, Moeller, Delvin, Benson, Darnelle, Kenney, Kessler, Simpson, Chase, McMahan, Uptegrove. **Companion bill SB 5670 Sponsors:** Senators Fraser, Kohl-Welles, Brandland, Kline, Hargrove, Esser, Thibaudeau, Jacobsen, Prentice, B. Sheldon, Winsley.

##### Texas

**HB 2096 Sponsors:** Representatives Pickett, Lucio **HB 869 (amendment to HB 2096) Sponsors:** Representatives Burnam, Peña, Wohlgemuth, Keel, Riddle, Chavez, Christian, Guillen, Hupp, Madden, Menendez, Seaman, Telford, Truitt, Wong. **Companion bill SB 1953 Sponsors:** Senators Van de Putte, Armbrister, Averitt, Barrientos, Eivins, Brimer, Carona, Deuell, Duncan, R. Ellis, Estes, Fraser, Gallegos, Harris, Hinojosa, Jackson, Janek, Lindsay, Lucio, Madla, Nelson, Ogden, Ratliff, Shapiro, Shapleigh, Staples, Wentworth, West, Whitmire, Williams, Zaffrini.

##### Missouri

**HB 1487 Sponsor:** Representative Tom Sell. **SB 1210 (amendment to HB 1437) Sponsors:** Senators Bray, Bland, Champion, Coleman, Days, Steelman, Yeckel.

##### Florida

**SB 1962 Sponsors:** Senators Wasserman Schultz, Smith, Aronberg, Handopoulos. **Related bill HB 865 Sponsors:** Representatives Gannon, Brandenburg, Bullard, Fiorentino, A. Gibson, Harrell, Hasner, Holloway, Joyner, Kravitz, Stargel, Zapata. **Related bill HB 1977 Sponsors:** Representatives Barreiro, Bucher, Fiorentino, Gannon, Joyner, Kallinger, Kottkamp, Rich, Roberson, Sobel.

##### Expert Study Commissions and Task Forces

##### Washington

**HB 2381 Sponsors:** Representatives Veloria, Van Loven, Kenney, Dunshie, Romero, O'Brien, Darnelle, Schual-Berke, Chase, Tokuda, Uptegrove, Edwards, Santos, Kagi, Haigh. **Companion bill SB 6407 Sponsors:** Senators Costa, Kohl-Welles, Kline, Kastama, Thibaudeau.

**HB 1090 Sponsors:** Representatives Veloria, Roach, O'Brien, Bush, Lantz, Clements, Linville, Kenney, Buldt, Sullivan, Uptegrove, Chase, Darnelle, Hudgins, Edwards.

HR 4707 Sponsor: Representative Veloria.

#### Connecticut

HB 5358 Sponsors: Representatives Stillman, Berger, Boucher, Conway, Crisco, Currey, Godfrey, Gonzalez, Googins, Guerrero, Kerensky, Leone, Lewis, Malone, Martinez, Nafis, Peters, Prague, Roy, Sullivan, Tercyak, Thompson, Willis, Winkler. Senator Ciotto.

#### International Matchmaking Organizations

#### Hawaii

HB 135 Sponsors: Representatives Lee, Sonson, Arakaki, Luke, Morita, Leong, Karamatsu, Abinsay, Shimabukuro, Thielen, Ching, Kawakami, Marumoto, Finnegan, Kahikina, Hale, Pendleton. Companion bill SB 875 Sponsors: Senators Chun Oakland, Baker, Fukunaga.

#### Texas

HB 177 Sponsors: Representatives McCall, Castro, West.

#### Washington

HB 1826 Sponsors: Representatives Veloria, McMahan, O'Brien, Kenney, Boldt, Mielke, Santos, Hudgins, Upthegrove, Simpson, Conway. Companion bill SB 5532 Sponsors: Senators Kohl-Welles, Benton, Fraser, Prentice, Carlson, Keiser, Winsley, Schmidt.

#### Sex Tourism

HB 2020 Sponsors: Representatives Arakaki, Chang, Evans, Hale, Karamatsu, Kawakami, Lee, Leong, Luke, Magaoay, Marumoto, Morita, Shimabukuro, Thielen. Companion bill SB 2227 Sponsors: Senators Chun Oakland, Baker, Fukunaga, Kim.

### FIGHTING THE WAR ON TRAFFICKING OF WOMEN AND GIRLS

#### Defining the Issues

Sexual trafficking of women and girls across borders, within countries, and across state lines within the United States is a huge criminal enterprise that generates enormous profit for the traffickers. Between 20,000 and 100,000 women – the data are far from accurate, or even agreed upon – are trafficked into the United States each year from grievously impoverished communities in Asia, Latin America, eastern Europe and Africa.

Although this trade in human beings is described in the context of trade in other illegal "commodities," we believe that there is no analogy that truly reflects the underlying truth of this trade – not the analogy to the trade in illegal drugs, not the analogy to the trade in illegal guns. We also reject the analogy to illegal immigration for work and economic betterment which inspired so many of our grandparents and parents – and many of us – to emigrate to the United States to create a better life.

No. Sexual trafficking is a disease of our patriarchal society, the quintessential violation of women's autonomy and human rights, and the ultimate reflection of women's status as the property of men and as creatures who exist primarily to service men's sexual desire. Trafficking in women and girls is the soul of women's oppression.

Sexual trafficking presents a clear case of gendered racism. In fact, racist and sexist stereotypes drive international trafficking patterns across borders – because men express preferences for women or girls they define as more appealing. In the United States, for example, this often translates into a preference for women from Asia and eastern Europe – because some American men think these women will be more passive and subservient than "liberated" American women.

For example, men – including American men – participate in sex tourism, traveling on vacation to "try" prostitutes in other countries. They demand younger and younger girls – virgins – because they believe that they can thereby avoid HIV infection or even be cured of AIDS by sexual contact with a virgin. And so, young girls are forced into the sex trade, infected with HIV by these men, and then tossed aside by the traffickers and brothel owners when they are sick and therefore useless as money makers.

Traffickers lie to women and girls, and to their families, making an appealing and persuasive case for "immigration" to such wealthy countries as the United States. Traffickers lie about the jobs and economic opportunities they will provide.

But young women do not know that these are lies when they are recruited and wooed by traffickers. Once in the United States, these young women and girls find that the promised jobs do not exist and instead they are forced into sexual exploitation. These women are victims of terrorism, rape, and subjugation.

Further, women who are trafficked for exploitative labor – as domestic workers in private homes and as laborers in sweatshops or agricultural fields – almost always are subject to sexual violence as well. And this is why the Center for Women Policy Studies has focused its limited resources on sexual trafficking of women and girls, while recognizing the urgency of addressing labor trafficking of women and men and acknowledging the leadership of many colleagues in this arena.

#### SELECTED CASES

In 2000, Congress passed and the President signed into law the *Trafficking Victims Protection Act of 2000 (TVPA)*, making human trafficking a federal crime. Congress reauthorized TVPA in 2003 as the *Trafficking Victims Protection Reauthorization Act of 2003 (TVPR)* and expanded its provisions. According to the May 1, 2004 *Report to Congress from Attorney General John Ashcroft on U.S. Government Efforts to Combat Trafficking in Persons in Fiscal Year 2003*, the U.S. Department of Justice brought 21 cases under TVPA against 56 alleged perpetrators between fiscal years 2001 and 2003. The following cases are representative.

#### Sex Trafficking

- ***United States v. Jimenez-Calderon*** (Indicted 9/26/02, Sentenced 8/7/03 & 5/4/04, D. New Jersey)

On August 7, 2003, Librada and Anton. Jimenez-Calderon were sentenced to over 17½ years (210 months) in prison for conspiracy and sex trafficking. In May 2004, they also were ordered to pay a total of \$135,240 to four of their victims. The two women pled guilty to luring young Mexican girls, between the ages of 14 and 18, to the United States with promises of legitimate jobs. Upon arriving in Plainfield, New Jersey, however, the girls were confined to a brothel and forced to perform acts of prostitution six to eight times each day for \$35 per act. They were not allowed to leave the house or speak to each other and were subjected to threats of harm, force, and psychological coercion.

Their accomplices – Sergio Farfan, Angel Ruiz, Pedro Garcia Burgos, and Maritzana Diaz Lopez – were charged with various crimes, including obstruction of justice and sex trafficking. Librada and Antonia Jimenez-Calderon's two brothers, Delfino and Luis Jimenez-Calderon are still at large and considered fugitives.

- ***United States v. Sardar and Nadira Gasanov*** (Indicted 8/15/01, Sentenced 5/17/02, W.D. Texas)

The Gasanovs were sentenced to five years (60 months) in prison, followed by three years of supervised release, and ordered to pay \$516,152 in restitution for trafficking women from Uzbekistan into the United States and forcing them to work in strip clubs and bars in El Paso, Texas. After the trafficked women's documents were seized from the couple, the defendants also were charged and convicted with conspiring to confiscate documents in furtherance of trafficking.

#### Labor Trafficking

- ***United States v. Alamin and Akhter*** (Indicted 11/16/00, Sentenced 5/14/01 & 4/16/01, C.D. California)

A husband and wife – Nur Alamin and Rabaya Akhter – brought a young woman from Bangladesh to the United States to be their housekeeper and nanny. They repeatedly beat and threatened her. Akhter was sentenced to more than one year (16 months) in

prison after pleading guilty to an immigration violation. Alamin was convicted of involuntary servitude and sentenced to more than 11 years (135 months) in prison. In addition, both offenders were ordered to pay the victim \$125,819 in restitution.

- ***United States v. Blackwell and Blackwell* (Convicted 6/9/03, D. Maryland)**

Barbara Coleman-Blackwell and Kenneth Blackwell were convicted of smuggling a woman from Ghana to the United States, and forcing her to work as a domestic servant and nanny, with little or no pay. In order to keep her in this position, the defendants hid her passport and threatened her with deportation and imprisonment. Barbara Coleman-Blackwell was sentenced to more than four years (63 months) of incarceration and Kenneth Blackwell to supervised release for three years. Grace Coleman, Coleman-Blackwell's mother, who is a member of the Ghanaian Parliament, faces similar charges and extradition to the United States for aiding the Blackwells.

#### Sexual Violence in the Context of Labor Trafficking

- ***United States v. Soto-Huarta* (Indicted 07/31/03, Sentenced 1/29/04 & 1/30/04, S.D. Texas)**

Seven men were sentenced to a combined 51 years in prison on trafficking and forced servitude crimes. Juan Carlos Soto, the ringleader, was sentenced to 23 years in prison – the longest sentence ever handed out under *TVPA*. Arrested in March and April 2003, the men trafficked four women from Guatemala, Honduras, and El Salvador, who had agreed to pay \$5000 to be smuggled into the United States. Once they arrived here, however, the women were confined in "safe houses," where they were forced to cook, clean, and do housework without pay. In addition, they were repeatedly raped by the defendants, who were charged and convicted on federal civil rights violations, extortion, hostage-taking, immigration offenses, involuntary servitude, and human trafficking.

- ***United States v. Tecum* (Sentenced 2/01, D. Florida)**

Jose Tecum is currently serving a nine year prison sentence for trafficking a Guatemalan teenager into South Florida, through Mexico and Arizona, where he forced her to perform manual farm labor during the day and sexual acts for him at night. Tecum raped and kidnapped this young woman, then smuggled her into the United States, where he held her in servitude through sexual violence, psychological coercion, cultural isolation, and financial dependence. He was convicted of kidnapping, immigration violations, slavery, and conspiracy to manufacture false documents. This woman was one of the first human trafficking victims granted a T-visa under *TVPA*.

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#### Sources

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*Trafficking Victims Protection Reauthorization Act of 2003*, 22 U.S.C. 7101 et seq.

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#### United States v. Jimenez-Calderon

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# Contract with Women of the USA



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## Contract with Women of the USA

The **Contract** is a set of 12 principles for women's equality based on the Platform for Action adopted at the United Nations Fourth World Conference on Women in Beijing in 1995. The Center and the Women's Environment and Development Organization (WEDO) developed the Contract as a mechanism to bring the promises of the Beijing Platform home to women in the United States.

As public officials, advocates for women's rights, policy makers, organizations and individuals we sign this Contract with Women of the USA to implement the Platform for Action adopted September 1995, at the United Nations Fourth World Conference on Women by consensus of 189 governments, including the United States of America.

We pledge our mutual commitment to the goal of equality and empowerment for America women, who are the continuing majority of our nation and states.

We pledge to work together to overcome discrimination based on sex, race, class, age, immigration status, sexual orientation, religion, and disability. We seek to end social, economic and political inequities, violence and the human rights abuses that still confront millions of women and girls in our country.

Looking to the 21st century, we enter into this Contract with Women of the USA for ourselves and for future generations to achieve our vision of a healthy planet and healthy nations, states and communities, with peace, equality, and justice for all.

**66 The Contract with Women of the USA serves as a road map for women policy initiatives as the movement continues leading 77 Illinois state legislator Sara Feigenholtz**

### 1. EMPOWERMENT OF WOMEN

We pledge to work for empowerment of women in all their diversity through equal participation in decision making and equal access to shared power in government, in all every level of society.

### 2. SHARING FAMILY RESPONSIBILITIES

We pledge to work for equal sharing of family responsibilities, recognition and respect for the diversity of families, and for practices and policies that enhance the multiple roles, security and well-being for women and girls, men, and boys.

### 3. ENDING THE BURDEN OF POVERTY

We pledge to work for economic justice and to end the increasing burden of poverty on women and their children, who are a majority of the poor. Recognizing the value of women's unpaid and underpaid labor to our families, communities and economy we support a living wage for all workers and adequate funding for welfare and other social safety nets, child care, education and job training, and access to collateral-free credit for women-owned small business.

### 4. HIGH QUALITY, AFFORDABLE HEALTH CARE

We pledge to work to reaffirm the rights of women and girls, regardless of income or where they live, to high quality, accessible, affordable and respectful physical and mental health care, based on sound women-focused research.

**5. SEXUAL AND REPRODUCTIVE RIGHTS**

We pledge to work to reaffirm and uphold the sexual and reproductive rights of all women, including their right to control their own reproductive lives free of coercion, violence and harassment.

**6. WORKPLACE RIGHTS**

We pledge to work for guarantees of equal pay for work of comparable value and an end to discriminatory hiring and sexual harassment. We support family-friendly workplace practices, job training and opportunities programs, strengthening of affirmative action, employees' rights to organize unions and to work in safe, healthy working environment.

**7. EDUCATIONAL EQUITY**

We pledge to work for educational equity for women and girls, including creation and strengthening of gender-fair multicultural curricula and teaching techniques, equal opportunities and access for girls and women throughout their lives to education, career development, training and scholarships, educational administration and policy making.

**8. ENDING VIOLENCE AGAINST WOMEN**

We pledge to work for policies and programs to end violence against women and children in every form and to ensure that violence against women and children is understood as a violation of their human rights and civil rights.

**9. PROTECTING A HEALTHY ENVIRONMENT**

We pledge to work to end environmental degradation and eliminate toxic chemical, nuclear wastes and other pollutants that threaten our health, our communities, country and planet. We uphold active roles by government at all levels and public and private sectors to continue and expand environmental protection programs.

**10. WOMEN AS PEACE MAKERS**

We salute women's leading roles in peace movements and conflict resolution and pledge to work for their inclusion in policy making at all levels aimed at preventing wars, halting the international arms trade and eliminating all nuclear testing. We seek reductions in military spending and conversion of military spending and conversion of military facilities to socially productive purposes.

**11. HONOR INTERNATIONAL COMMITMENTS AND RATIFY CEDAW**

We pledge to support the commitments made by the United States government to implement the UN Platform for Action, which constitutes its contract with the world's women. We call on the United States Senate to ratify the Convention to Eliminate All Forms of Discrimination Against Women (CEDAW), which the United States has signed.

**12. A LONG-TERM NATIONAL PLAN TO ACHIEVE EQUALITY**

We who are state and federal policy makers pledge to work in partnership with women's organizations to develop and enforce a long-term plan to achieve our goals of equality and empowerment for women. We support the re-establishment of a national Advisory Panel on Women and the creation or strengthening of similar panels or commissions in each state, to ensure that governments at every level take the necessary steps to implement this Contract.

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## Fighting the War on Trafficking of Women and Girls: The Role of State Legislatures

### Testimony by Leslie R. Wolfe, President, Center for Women Policy Studies

I am honored to be with you today and congratulate you, Assemblywoman Lieber, and your colleagues in the Assembly for creating the first state legislative Select Committee on Trafficking in the United States. I can promise you that, in the Center's work with state legislators in the other 49 states and in the US territories -- we will be describing your leadership as a new and stellar model to be replicated nationwide.

I am also grateful for the invitation to present the Center's work -- state by state by state -- to promote state leadership in confronting trafficking of women and girls from throughout the world into the United States. I am submitting my full testimony for the Select Committee's record and will summarize it briefly today.

While most policy discussion and press coverage addresses the horrors of trafficking of women and girls in other countries, we in the United States are implicated in this most appalling violation of women's and girls' basic human rights -- because we are a major "destination" country for traffickers.

Indeed, trafficking of women and girls across borders and into our states is a huge criminal enterprise that generates enormous profit for the traffickers and oppression for trafficked women and girls. Between 15,000 and 100,000 women -- the data are far from accurate, or even agreed upon -- are trafficked into the United States for sexual and labor exploitation each year from grievously impoverished communities in Asia, Latin America, eastern Europe and Africa (Richard, 2000; US Department of State, 2004).

We know that trafficking in women and girls is fueled by the extreme poverty that so many women and children face in their villages and cities worldwide. This severe economic hardship -- beyond anything that exists in the United States -- may encourage women, girls, and their families to believe the traffickers' false promises of good jobs and economic opportunity in wealthy countries such as ours.

Women also are trafficked into the United States as so-called "mail order brides" -- though we prefer to use the term "bride trafficking" to reflect the truth about the hundreds of commercial international matchmaking businesses that operate in this country, bringing thousands of women each year into our states for marriage to American men. Many of these young women end up as battered, or murdered, wives and some are trapped in domestic servitude.

Yet, I must admit that I watched the premiere of NBC's new show, *LAX*, in horror. Perhaps you also saw it? A beautiful young Filipino woman is stopped at LAX by customs agents who suspect her of some illegal activity, perhaps drug smuggling. It turns out that she is a "mail order bride," who must wait for many hours for her prospective husband. During this time, the newly minted customs agent -- a sweet faced young white man -- falls for her and she reflects the ancient Hollywood stereotype of Asian women -- subservient but flirtatious, demure but oversexed, helpless but with a will of iron. Perhaps the most appalling moment was at the end. Before she goes off with the fat, balding middle-aged husband/purchaser who has finally arrived to pick up his "China doll," as he calls her, she rubs the thigh of the immigration officer, gives him her phone number, and asks him to call her.

Given the work we are doing to confront "bride trafficking" -- I feel sure that this show will be a setback... suggesting that these lovely American men are just as sweet as can be and that the real villains are the young women who are "using" them.

But we understand that trafficking of women and girls – particularly sexual trafficking and including “bride trafficking” -- is a disease of patriarchal society, the quintessential violation of women’s autonomy and human rights, and the ultimate reflection of women’s status as the property of men.

Further, sexual trafficking in particular presents a clear case of gendered racism. In fact, racist and sexist stereotypes drive international trafficking patterns across borders – because men express preferences for women or girls they define as more appealing. In the United States, for example, this often translates into a preference for women from Asia and eastern Europe – because some American men, like the character in LAX, think these women will be more passive and subservient and needy than those dreadfully “liberated” American women.

Men – including American men – participate in sex tourism, traveling on vacation to “try” prostitutes in other countries. They demand younger and younger girls – virgins – because many believe that they can thereby avoid HIV infection or even be cured of AIDS by sexual contact with a virgin. And so, young girls are forced into the sex trade, infected with HIV by these men, and then tossed aside by the traffickers and brothel owners when they are sick and therefore useless as money makers.

Although trafficking of human beings regularly is described in the context of illicit profits and in comparison to the trade in such illegal commodities as drugs and guns -- this analogy is false and potentially dangerous to efforts to understand human trafficking in the women’s human rights context rather than strictly from the law enforcement perspective. I am distressed at the distancing from these oppressed young women that is implied by their commodification in our own rhetoric.

In addition, the analogy to illegal immigration for work and economic betterment which inspired so many of our grandparents and parents – and many of us – to emigrate to the United States to create a better life subtly ignores the issue of force and deception that shapes the experiences of trafficked women and girls.

Because traffickers lie to women and girls, and to their families, making an appealing and persuasive case for “immigration” to such wealthy countries as the United States. Traffickers lie about the jobs and economic opportunities they will provide -- offering young women fake employment contracts, fake visas, and false promises of opportunity for a better life for themselves and the ability to help their families back home. But young women and their families do not know that these are lies when they are recruited and wooed by traffickers. Once in the United States, these young women and girls find that the promised jobs do not exist and instead they are forced into sexual exploitation and labor servitude.

Indeed, women who are trafficked into the United States for exploitative labor – as domestic workers in private homes and as laborers in sweatshops or agricultural fields, for example – almost always are subject to sexual violence as well. And this is why the Center for Women Policy Studies focused its limited resources between 1998 and 2004 on sexual trafficking of women and girls, while recognizing the urgency of addressing labor trafficking of women and men and acknowledging the leadership of many colleagues in this arena.

Since 2001, in my presentations to community leaders and elected officials around the country, I have attempted – and still do -- to engage their commitment through empathy, NOT sympathy. I ask them to try to imagine the reality of international trafficking. I ask them – and all of us here in this room – to imagine that this is happening to you – or to your sister or your daughter.

Imagine that you have left home for a new country and new economic opportunity. Imagine that you are eagerly looking forward to a job as a nanny or elder care provider or waitress – to earn money to send home to your family. You have been brought to this new country for this wonderful job by a man or men you fear or even trust – only to find yourself imprisoned in a brothel or sweatshop.

Imagine your terror: You cannot speak the language. You are not even sure exactly where you are in this huge country. You fear the local police, who may be complicit in the trafficking – as they likely were in your home country. You have no contacts with local people, no resources, and no knowledge of existing services such as battered women’s shelters, rape crisis centers, refugee and immigrant women’s centers. And, of course, you are afraid to ask because you have been threatened and brutalized and your passport has been taken from you – and so you

legitimately fear arrest, imprisonment, and deportation – since your.

When audiences doubt that this “could happen here,” I tell them about several federal cases, both large and small, that reflect the reality of trafficking in our country. I tell them about:

the teen age Mexican girls lured to the United States with promises of legitimate jobs who were forced into sex work in Plainfield New Jersey; the young women from Uzbekistan who were trafficked into the United States and forced to work in strip clubs and bars in El Paso, Texas; the Ghanaian woman smuggled into the United States by a well-to-do and well-connected married couple from her country and forced to work as their domestic servant and nanny, for little or no pay, whose employers hid her passport and threatened her with deportation and imprisonment; the women trafficked from Latin America – from Guatemala, Honduras, and El Salvador -- who actually agreed to pay a substantial sum of money to be brought to the United States for good jobs, only to be confined in so-called safe houses where they were forced to cook, clean, and do housework without pay – and where they were repeatedly raped by the traffickers; the Guatemalan teenager who was raped and kidnapped from her home and trafficked into South Florida, through Mexico and Arizona, by a man who forced her to perform manual farm labor during the day and then raped her at night.

I tell them that we each must find our own niche in the struggle against trafficking of women and girls into our country. And I tell them about the Center’s unique and special role as a national, multiethnic feminist policy center – a mission we take very seriously. Since 1996, we have worked with a national network of women state legislators – and increasing numbers of non-women legislators – to implement the *Beijing Platform for Action* in the United States. The Platform is embodied in our **Contract With Women of the USA**, which guides our **State Legislators Initiative** and its women’s human rights policy agenda.

We work with elected officials and other policy makers at every level to let them know that women and girls are trafficked into their states and that states can – and must – play a major role, in partnership with federal policy makers and agencies, in addressing the crisis we face as a trafficking destination country.

The Center thus is helping states create the legal and policy framework that will enable them to prosecute and punish traffickers while protecting women and girls who have been trafficked into the United States for sexual and labor exploitation. This is essential because existing laws in the United States – as in many other countries – are inadequate to the task.

My sense of history requires me to tell you that our groundbreaking policy work on trafficking of women and girls into the United States is in a direct line of descent from the early leadership of the Center’s founders – beginning in 1972 – in defining violence against women as a public policy issue. As in the 1970s, the Center again fills a unique and significant niche in the anti-trafficking arena by focusing its attention exclusively on international trafficking of women and girls into the United States, focusing on the role of state level policy in responding, and defining this as a joint federal/state policy obligation -- guided by our multiethnic feminist mission and women’s human rights analyses.

Since 1999, we have been fighting this war against trafficking of women and girls – and our work on this issue has been extensive (see Center for Women Policy Studies, 2004). For example, in 1999, the Center convened the first-ever workshop on sexual trafficking of women and girls at the National Conference of State Legislatures (NCSL) annual meeting.

More than 50 legislators learned about the issue for the first time – and about the proposed federal legislation that became the *Trafficking Victims Protection Act of 2000* -- and they quickly understood that trafficking of women and girls is their problem. As women’s rights advocates in their communities and in their legislatures, they also understood that this “new” issue required their immediate attention in the context of their work as policy makers committed to improving the lives of their women constituents.

The National Conference of State Legislatures did not officially address the issue of trafficking at an annual meeting until 2003. The Center was a speaker at the session – convened by the Women’s Legislative Network of NCSL and the NCSL Economic Development, Trade, and Cultural Affairs Committee and chaired by our colleague Representative Velma Velutina of Washington State – on *The Price of People: Trafficking and the Role of the State*.

The Center then intensified its work at the state level -- co-sponsoring groundbreaking statewide conferences on trafficking of women and girls as a state policy issue in Washington in November 2001 and in Minnesota in October 2003; speaking at state legislative briefings and conferences -- to bring the issues to state legislators and other elected officials, to advocates and service providers, and to local leaders in Connecticut, North Carolina, Nebraska, Colorado, Missouri, Nebraska, New York, New Jersey -- and California, for instance.

Our goal for the next few years is to bring this message to all 50 states, to territories, and to the District of Columbia in compelling and effective ways -- always guided by the leadership of the state policy makers with whom we work.

Before I tell you what we are recommending to state legislators, I want you to know that our success to date is dependent on the leadership of state legislators -- who have actively engaged with us in our ongoing national effort to craft state responses to a global problem that affects our communities, our states, and our nation.

Through our *Foreign Policy Institute for State Legislators*, in particular, the Center educates a selected group of state legislators each year on the US foreign policy process and the impact of United States foreign policy and foreign assistance on women worldwide.

The *Institute* prepares legislators to understand -- and then influence -- the foreign policy of the United States as it affects women and girls worldwide. The *Institute* also helps legislators clarify the links between the global and the local, including the women's human rights issues they address in their communities and states.

The 44 legislators who have graduated from the *Institute* in its first four years (2001-2004) have taken leadership to bring the issue of trafficking to their communities and states and are the lead sponsors of virtually all of the state anti-trafficking laws that have been passed by legislatures -- and bills that have been introduced but not yet enacted. These legislators are our inspiration.

The Center proposes three types of state legislative initiatives to combat trafficking.

First, we ask states to make trafficking of women and girls -- and men and boys -- into the state from other countries a state felony offense with appropriately harsh punishments for traffickers, protections for the women and girls who have been trafficked into our communities, and provisions to allow their victims to sue for damages and for the cost of bringing the suit. As with rape and sexual assault, the focus of prosecution must be on the perpetrators and not on the women who have been trafficked.

Further, states should prohibit traffickers' assertion of the woman's alleged consent to be used as a defense. Indeed, legally binding consent does not exist in the context of the deception, fraud and deceit that are the hallmark of traffickers' promises and, thus, of women's alleged "consent."

As of June 2004, legislatures in Washington, Texas, Missouri, and Florida have enacted laws to make trafficking a first or second degree felony.

However, until states enact comprehensive anti-trafficking laws, state attorneys general and prosecutors can use three types of state criminal statutes currently on the books to prosecute some traffickers: laws criminalizing involuntary servitude; laws criminalizing the promotion of prostitution; and, laws criminalizing forced or commercial marriages. For example, states can use statutes that prohibit prostitution and the promotion of prostitution to prosecute traffickers instead of the women and girls they coerced into prostitution.

But existing state laws are insufficient -- as they do not criminalize all manifestations of exploitative trafficking into the United States, do not offer protections from prosecution for all trafficked women and girls, and do not provide the services they so desperately need.

In addition to such state trafficking criminalization statutes, we ask state legislatures to create study commissions or task forces of experts to determine the nature and extent of trafficking in the state and make recommendations for legislative, policy, and programmatic initiatives.

These task forces can answer the question that legislators and their constituents always ask me:

"Is international trafficking a problem in my state? I understand about Washington and Texas," they say, "because those are border states."

My response is: "If you have an airport or an interstate highway – you ARE a border state for traffickers."

We are especially eager for these task forces to be chaired by one or two state legislators and staffed by an appropriate state agency, such as the state Commission on the Status of Women. Task Force members must include all of the appropriate top level state officials – attorneys general and the secretaries of health, human services, and social services – as well as state and local law enforcement and key members of the state legislature. We also want local chiefs of police, health care providers (including mental health care providers), and social service agencies to be named to the task force.

But, of utmost importance, the real experts on women's human rights must be leading members of these task forces. This includes advocates for refugee and immigrant women, providers of services and support for survivors of domestic violence and sexual assault, advocates for women's human rights in multiple arenas, community based organizations that serve women and girls, and the feminist scholar activists whose research is essential to our understanding of these issues.

State task forces on trafficking have been established by statute in Washington and Connecticut. Idaho has created a fact finding and education committee. In addition, non-legislative efforts are underway in several states – led by state women's organizations, violence against women programs and providers, and anti-trafficking groups – to study the nature and extent of trafficking in the state and make policy recommendations.

Finally, the Center urges states to strongly regulate "bride trafficking" by commercial "mail order bride" or "international matchmaking organizations" that operate in the state. States also should follow the lead of Hawaii in regulating "sex tourism" through travel agencies that operate in the state.

In addition, while mail order brides who suffer domestic abuse have access to remedies under the provisions of the Violence Against Women Act intended to protect battered immigrant women, the Congress should amend the definitions section of the Trafficking Victims Protection Reauthorization Act of 2003 to define bride trafficking by commercial organizations as a form of "severe trafficking," thus making trafficked brides potentially eligible for T-visas as well.

Legislatures in Hawaii, Texas, and Washington have passed laws to regulate "international matchmaking organizations" (IMOs) that operate in the state. These statutes allow potential "brides" from other countries to gain access to criminal conviction and marital history information from prospective husbands residing in the United States. The commercial matchmaking organizations are obligated to notify the women of their rights to this information and then to provide it.

Finally in 2004 Hawaii passed the first state law regulating sex tourism, making it a class C felony to knowingly sell or offer to sell travel services that include or facilitate travel for the purpose of engaging in prostitution.

The Center also believes that Congress must increase federal funding for services for women and girls who are suffering these abuses of their human rights in our country. And that new funding should be earmarked for women's organizations in every state and community that already have both the experience in working with abused women and girls and the commitment to a women's human rights and feminist approach.

In short, Congress must provide new funding to battered women's shelters and programs, rape crisis centers, shelters for homeless women, and programs and organizations that serve refugee and immigrant women and girls. These are the sisters who can immediately serve and save trafficked women and girls.

We ask our colleagues throughout the country to welcome these sisters with safety, support, and community based programs that will speed their recovery from the horrors inflicted upon them.

We ask policy makers to find ways to share the bounty of our country with these sisters who have been brought to our country under such horrific conditions. Despite the financial crises afflicting all of our states, we know that these leaders – in partnership with advocates and service providers -- can find creative ways to share our resources with our young sisters.

We must make choices about how we spend our money – and we must insist that our states and federal government find a way to choose to save these young women's lives by offering them economic assistance, safe and secure housing, all forms of mental and physical health care services, and education and training for economic recovery and future self-sufficiency.

And the Center emphasizes the urgency of enabling women's groups in the community to provide the intangible but essential personal, emotional support and sisterhood that is the hallmark of their work.

As feminists and advocates for women's equality and human rights – we are obligated to confront the oppression of these young women as part of our world-changing mission.

And so I thank you with all my heart for your commitment to addressing the horrors that trafficked women and girls face in the United States and around the world.

Together, we can truly save the lives and spirits of thousands of young women and girls and, I promise you, we will lift our own spirits as well.

Thank you.

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FOUR INDICTED IN ALASKA FOR LURING RUSSIAN GIRLS AND WOMEN TO  
U.S. AND ENSLAVING THEM IN A STRIP CLUB

Federal Action is First Under New Statute  
to Stop Trafficking in Humans

WASHINGTON, D.C. - Four people were charged today in Alaska with conspiring to enslave Russian women and girls in a strip club in Anchorage, the Justice Department announced. This is the first case prosecuted under the Victims of Trafficking and Violence Protection Act of 2000, enacted by Congress in October 2000 to stop the practice of trafficking in humans.

Victor Virchenko, Pavel Agafonov, Tony Kennard and Rachel Kennard were charged under a 28-count indictment with conspiring to lure six Russian women and girls to Alaska to enslave them. Virchenko is a Russian national, Agafonov is a naturalized U.S. citizen, and Tony and Rachel Kennard are U.S. citizens. The four defendants were previously indicted for falsely representing to immigration authorities that the Russian women would be in the United States for a cultural exchange.

Today's superseding indictment charges that the defendants recruited the females under false pretenses - to perform Russian folk dances in a cultural festival - only to force them into servitude once they arrived in the United States. The charges against the defendants include six counts of forced labor (18 U.S.C. 1585), for coercing the victims to perform in a strip club by employing a scheme that relied on threats, intimidation, and confiscation of the victims' passports, visas, and plane tickets.

The Russian victims, who were brought to the United States in December 2000, were freed from the defendants by the INS in January 2001. The women and girls have temporary legal immigration status and are being housed in a safe location.

"Slavery and trafficking violate the American promise of freedom," said Robert C. Bundy, the United States Attorney for the District of Alaska.

"We will vigorously enforce our anti-slavery laws against those who try to exploit others."

The indictment also charges the defendants with kidnapping, transportation of minors for illegal sexual activity, and visa fraud. Additionally, Mr. Virchenko is charged with witness intimidation. If convicted of all counts, the defendants could face sentences of life in prison.

The indictment is the result of a coordinated effort of the National Worker Exploitation Task Force, an interagency effort that brings together different agencies to combat the problem of trafficking in persons and modern-day slavery in the United States. The case, which was investigated jointly by the INS, FBI, and the Anchorage Police Department, is being prosecuted by the Criminal Section of the Department of Justice's Civil Rights Division and the U.S. Attorney's Office for the District of Alaska.

The Victims of Trafficking and Violence Protection Act of 2000 increased criminal penalties and broadened prosecutors' authority in trafficking cases to reach modern forms of slavery. The Act also gives victims better access to services such as shelters, counseling and medical care, and it provides a means for alien victims to stay in the United States and assist in the investigation and prosecution of traffickers.

Individuals can report other cases of trafficking or slavery to the National Worker Exploitation Task Force complaint line, at 1-888-428-7591. More information about the Task Force can be found at: <http://www.usdoj.gov/crt/crim/nwef.html>

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01-76



FOR IMMEDIATE RELEASE

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THURSDAY, JUNE 14, 2001

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THREE MEN PLEAD GUILTY TO SEX TRAFFICKING  
OF RUSSIAN MINORS

WASHINGTON D.C. Three people pled guilty yesterday in Alaska to bringing two sixteen-year-old Russian girls to dance nude in a strip club in Anchorage, Alaska. The defendants also pled guilty to fraudulently obtaining visas for those girls and four other Russian women who were brought to Alaska to dance in strip clubs.

Victor Nikolayevich Virchenko, Pavel Vasilievich Agafonov and Tony Kennard all pled guilty in federal district court to six counts of immigration fraud. Kennard pled guilty to two counts of transporting minors for illegal sexual activity; Agafonov and Virchenko pled guilty to one count of transporting minors for illegal sexual activity. Virchenko is a Russian national, Agafonov is a naturalized U.S. citizen, and Tony Kennard is a U.S. citizen.

The maximum statutory punishment is 15 years in custody and a fine of \$250,000 for each felony count of transporting minors for illegal sexual activity, and 10 years in custody and a fine of \$250,000 for each felony count of immigration fraud. The sentencing for all three men is scheduled for August 24, 2001.

The Russian victims, who were brought to the United States in December 2000, were freed from the defendants by the U.S. Immigration and Naturalization Service (INS) in January, 2001. The women and girls have temporary legal immigration status and are being housed in a safe location.

"Sex trafficking of minors is a heinous crime," said Attorney General John Ashcroft. "Yesterday's guilty pleas should put those who engage in the exploitation of women and children on notice that the Justice Department will be relentless in bringing perpetrators of this kind of abuse to justice."

The prosecution is the result of a coordinated effort of the National Worker Exploitation Task Force, an interagency effort that brings

together different agencies to combat the problem of trafficking in persons and modern-day slavery in the United States. The case, which was investigated jointly by INS, the Federal Bureau of Investigation, and the Anchorage Police Department, is being prosecuted by the Criminal Section of the Department of Justice's Civil Rights Division and the U.S. Attorney's Office for the District of Alaska.

Individuals can report other cases of trafficking or slavery to the National Worker Exploitation Task Force complaint line, at 1-888-423-7581. More information about the Task Force can be found at: <http://www.usdoj.gov/crt/crim/twetf.htm>.

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**Center for Women  
Policy Studies**

# NEWS

from the **Center for Women Policy Studies**

Fall 2004

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## From Our President

Our work continues, my sisters and friends

The poverty rate is up for the third year in a row and more Americans are struggling to cope — without health insurance, reports the Census Bureau.

We are "slip-sliding away," reports the National Women's Law Center -- losing ground on the gains for women's rights and equality for which we have fought so hard for so many decades.

Women confronting HIV/AIDS in the United States are invisible to our leaders — as demonstrated by the responses of both vice presidential candidates in their pre-election debate, when neither seemed to know that African American women in the US are disproportionately affected.

The wage gap is increasing. The Census Bureau reports that women now make only 75.5 cents for every dollar that men earn — "the largest backslide in 12 years," notes the Institute for Women's Policy Research.

The United States refuses to support the principles of the International Conference on Population and Development (ICPD) on its 10th anniversary — even though the US was a prime mover of the agreement in 1994, notes Amnesty International.

We are in danger of losing our constitutionally guaranteed right to reproductive freedom if the Supreme Court's composition changes and "If Roe Falls," reports the Center for Reproductive Rights.

*Continued on page 5*

## THE CONTRACT WITH WOMEN OF THE USA STATE LEGISLATORS INITIATIVE

### *The Foreign Policy Institute for State Legislators*

Members of the Class of 2004 agreed that the *Foreign Policy Institute* "was enlightening, challenging, intense, rewarding." As one legislator noted, "we have no idea how we are interconnected with women of other countries and that we must assist our sisters." And *Institute* graduates said that they want other state legislators to know that "they will learn more than they ever thought they could about women's issues and foreign policy" if they apply to attend the *Institute*.

The *Foreign Policy Institute* is a unique program that prepares women state legislators to take on a global vision and leadership to improve the lives of women and girls worldwide. The Class of 2004 — the largest ever — included 14 women legislators from 11 states, bringing the total number of *Institute* graduates since 2001 to 43 legislators from 22 states.

The Class of 2004 came to Washington in July for an intensive program of seminars by expert faculty on such central issues as:

- women in conflict and post-conflict situations
- trafficking of women and girls
- the role of US foreign policy and development assistance in promoting women's human rights
- the role of NGOs in holding governments accountable
- reproductive rights and health and the women's HIV/AIDS epidemic
- promoting global peace and security
- the leadership of women in power in promoting women's rights

As in previous years, the Center also brought legislators to meet the foreign policy establishment of the United States — in Capitol Hill, at the US Department of State, and at the US Agency for International Development (USAID).

At the conclusion of the session, the Class of 2004 agreed that the *Institute* far exceeded their expectations and that they

were "more prepared" to take action and bring their newfound expertise home to their colleagues and constituents.

We congratulate the members of the Class of 2004 on their completion of the *Foreign Policy Institute*:

Representative Sharon Beasley-Teague (Georgia)  
 Senator Gwendolyn Britt (Maryland)  
 Representative Karen Clark (Minnesota)  
 Delegate Jean B. Cryor (Maryland)  
 Senator Rita Heard Days (Missouri)  
 Representative Nancy C. Detert (Florida)  
 Representative Joyce Elliott (Arkansas)  
 Delegate Barbara Evans Fleischauer (West Virginia)  
 Senator Paulette Riley Irons (Louisiana)  
 Representative Beth Kerttula (Alaska)  
 Representative Barbara C. Marumoto (Hawaii)  
 Delegate Shirley Nathan-Pulliam (Maryland)  
 Senator Toby Ann Slavisky (New York)  
 Representative "Able" Mable Thomas (Georgia)

We are especially proud of two earlier *Institute* graduates who have just been elected to Congress: Congresswoman-elect Allyson Schwartz of Pennsylvania and Congresswoman-elect Debbie Wasserman Schultz of Florida. In addition, *Institute* graduate Andrea Stillman has been elected to the Connecticut state Senate after several years in the House and graduate Barbara Mobley, formerly a member of the Georgia legislature, has won election as a judge.

We will bring another group of exceptional state legislators to Washington for the next *Institute* — scheduled for July 9 - 14, 2005. As this year ends, we are recruiting legislators for the Class of 2005 and will mail the application form to all members of our *National Honor Roll of State Legislators* in January.



The Foreign Policy Institute Class of 2004. Top row, L to R: Joyce Elliott, Gwendolyn Britt, Shirley Nathan-Pulliam, Jean Cryor, Rita Heard Days, Nancy Detert, Beth Kerttula, Sharon Beasley-Teague, Paulette Riley Irons. Bottom row, L to R: Karen Clark, Barbara Marumoto, Barbara Evans Fleischauer, Toby Ann Slavisky, "Able" Mable Thomas.

To learn more about the *Foreign Policy Institute*, visit our website at [www.centerwomen.policy.org](http://www.centerwomen.policy.org) or contact Leslie R. Wolfe at 202-872-1770 extension 208, [LRWolfe@centerwomenpolicy.org](mailto:LRWolfe@centerwomenpolicy.org).

## The National Institute on State Policy on Trafficking of Women and Girls

As our readers know, the Center has been working with women state legislators and their local partners to combat trafficking of women and girls into the United States through state policy since 1999. We have reported on our work in previous issues of *NEWS from the Center* — and we are proud of our leadership and our successes so far.

In 2004, with new funding, the Center has officially launched the National Institute on State Policy on Trafficking of Women and Girls — with plans to expand our work and bring the Center's leadership on state policy to our colleagues in all 50 states, the territories, and the District of Columbia. With our network of women state legislators who are taking leadership on these issues, we will continue our national program to craft state policy responses to this global women's human rights crisis. Early in 2005, for example, we will launch the *Clearinghouse on Trafficking Policy* — an online repository of data, research, legislation and other materials from around the world, but with a particular focus on US implementation of anti-trafficking measures. We will announce additional activities

*NEWS from the Center for Women Policy Studies* is published by the Center for Women Policy Studies, 1211 Connecticut Avenue, NW Suite 312, Washington, DC 20036, 202-872-1770 phone; 202-296-8902 fax; [www.centerwomenpolicy.org](http://www.centerwomenpolicy.org) email; [www.centerwomenpolicy.org](http://www.centerwomenpolicy.org) website.

### Board of Directors 2004

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and events in future issues of *NEWS from the Center for Women Policy Studies* — and we welcome your inquiries about this important work.

To learn more about the National Institute's work, or to invite the Center to your state, please contact Center president Leslie R. Wolfe at [LWolfe@centerwomenpolicy.org](mailto:LWolfe@centerwomenpolicy.org) or policy associate Sarah Doire at [SDoire@centerwomenpolicy.org](mailto:SDoire@centerwomenpolicy.org).

## WOMEN ENGAGING GLOBALLY A New Partnership

The Center has joined forces with two outstanding sister organizations — the League of Women Voters and the Women's Environment and Development Organization (WEDO) — to create a new program that will build a national cadre of key grassroots women leaders as knowledgeable foreign policy advocates. We will address the impact of US foreign policy on women around the world and will share our vision of US global engagement that promotes human rights, economic development, peace and security, and sustainable development.

To achieve this goal, we will convene town hall meetings in several cities around the United States during the next year — addressing US Foreign Policy and its Impact on Women. Each town hall meeting will be hosted by a local League of Women Voters and women state legislators who participate in the Center's national State Legislators Initiative — especially, those who have graduated from our *Foreign Policy Institute*.

While the overall theme remains the same, each local League will select one of the following topics that they believe will resonate with local women leaders and will inspire their further foreign policy advocacy:

- **women in conflict and post-conflict situations** — not only as victims of war and gendered violence but also in their essential roles as peacekeepers and leaders in the reconstruction and governance of post-conflict societies
- **Beijing Plus 10** — implementing the Platform for Action in the United States

- **international trafficking of women and girls** — the role of the United States both as world leader and destination country
- **the women's HIV/AIDS epidemic** — in the United States and worldwide
- **refugee and immigrant women** — in the United States and around the world
- **United States participation in multilateral treaties and bodies** — including CEDAW, the International Criminal Court, the Kyoto Protocol, and others.

The first town hall meeting took place on December 2, 2004 at the College of St. Catherine — a longtime Center partner — in St. Paul, Minnesota. Hosted by the local League of Women Voters, the town hall meeting addressed women in Iraq and Afghanistan and the impact of US foreign policy on their lives. Minnesota state Representative Karen Clark, a *Foreign Policy Institute* graduate, spoke at the session, which also featured Katherine Blakeslee of USAID and women experts from the Twin Cities.

To learn more about *Women Engaging Globally*, contact Center president Leslie R. Wolfe at [LWolfe@centerwomenpolicy.org](mailto:LWolfe@centerwomenpolicy.org).

## "WICS GAVE ME HOPE THAT A NEW LIFE EXISTS FOR ME" Report of the WICS Impact Evaluation

As part of its 40th anniversary celebration in 2004, Women in Community Service (WICS) engaged the Center for Women Policy Studies to conduct an impact evaluation with graduates of WICS' programs for women. These are the programs that serve women who are at risk of slipping through the cracks of society — because they are homeless, incarcerated, moving from welfare to work, leaving abusive relationships, fighting substance abuse, or a combination of these crises. WICS seeks to help participants make the transition to gainful employment and stable family life.

The Center surveyed graduates of WICS Lifeskills™ programs in Memphis, New Orleans, Portland (OR), and San Francisco.

to assess the extent to which the "WICS Experience" helped women make real changes in their lives.

More than 300 WICS graduates responded to the survey — for a stunning 36 percent response rate. The results demonstrate that women can and do take control of their lives after WICS. Women report increased self-esteem and improved interpersonal skills that support healthy relationships with their families. They also report reductions in unemployment, drug use and incarceration rates. And the survey findings show gains in the number of women who report that their job is their major source of income, that their living arrangements are more stable, that they have increased their educational attainment, and that they have obtained custody of their children.

## THE CENTER AT NCSL

The Center conducted three major events at the 2004 annual meeting of the National Conference of State Legislatures (NCSL) in Salt Lake City in July.

### Luncheon for Legislators — Fighting the War Against Trafficking of Women and Girls: The Role of State Legislatures

At our annual luncheon, we introduced the Center's expanded work on trafficking as a state policy issue and engaged more legislators in the work. As Center president **Leslie R. Wolfe** noted, "trafficking of women and girls is the quintessential violation of women's human rights. Because the United States is a major destination country for traffickers, we are implicated and must respond."

We welcomed **Lou DeBaca** as our guest speaker. He is a leading prosecutor of federal trafficking cases in the Criminal Section, Civil Rights Division of the US Department of Justice. DeBaca discussed the Department's prosecutions of traffickers, its efforts to protect trafficking victims in the United States, and the rationale behind the Department's new model state law. He concurred with the Center's longstanding commitment to building federal/state partnerships to confront all forms of trafficking, noting that these partnerships are essential to educate community members, prosecute traffickers, and assist trafficking victims.

DeBaca praised the unique role the Center is playing in addressing trafficking of women and girls into the United States through our **National Institute on State Policy on Trafficking of Women and Girls**, telling legislators that "we need your help and your leadership, we have been heartened to see a number of you adopt state laws. . . having laws on the books is the first step."

We are especially grateful to our sister organizations who co-sponsored the luncheon — the **Women's Legislative**

**Network of NCSL**, the **National Organization of Black Elected Legislative Women (NOBEL/Women)**, the **Center for American Women and Politics (CAWP)**, and the **Women Legislators' Lobby of Women's Action for New Directions (WILL/WAND)**.

### Reproductive Rights Legislative Exchange — Recent Federal and State Threats to Women's Reproductive Rights and Health — Strategies for State Responses

Led by Center director of public policy **Brenda Romney Martin**, this session's lively discussion focused on the impact on women of the federal *Unborn Victims of Violence Act*, fetal homicide bills and other examples of "fetal rights" legislation, policies, and court rulings that restrict women's right to bodily integrity and to decision making about their own pregnancies.

Our guest speaker, **Lorna Vogt**, director of the **Utah Progressive Network**, presented an example of how this false "maternal/fetal conflict" plays out at the local level, describing the case of *Rowland v. Utah*, in which the state charged **Melissa Ann Rowland** with murder in April 2004 when, after she refused to undergo a Caesarean section, she gave birth to twins, one twin was stillborn and the other tested positive for drugs and alcohol at birth.

We released the results of the Center's **Survey on State Legislative Caucuses**, which examined the role of state caucuses in addressing women's issues. Legislators' responses indicate that nearly half of the states have women's legislative caucuses while 20 percent have reproductive rights caucuses. The **Survey** report is available at our website, [www.centerwomenpolicy.org](http://www.centerwomenpolicy.org).

### Legislative Exchange — Asset Development for Low Income Women: A Framework for Success

Center vice president **Jennifer Tucker** introduced this special session as representing "an opportunity for legislators who are committed to ending the burden of poverty for low income women to learn about asset building strategies and successful local programs."

Tucker presented data from the Center's new **Profile of Low Income Women Students in Postsecondary Educational Institutions** and discussed the importance of postsecondary education as the essential route from poverty to economic independence for many low income women. The **Profile** is available at our website, [www.centerwomenpolicy.org](http://www.centerwomenpolicy.org).

Guest speaker **Jacquelyn Lendsey**, president and CEO of **Women in Community Service (WICS)** inspired the participants with her report of the positive changes in the lives

## From Our President

*Continued from page 1*

And the list goes on and on...

But we are not downhearted. We are in this struggle for women's full equality and freedom and human rights for the long term. We will not falter in our mission. And we know that our vision — of an egalitarian world where women are free and equal, secure and safe from violence and horror — will prevail.

We invite all of you to join the Center and our sister organizations who are part of the ever-growing global feminist movement.

And we are delighted to welcome the Center's newest staff members to this work. Policy associate Sarah Doire first worked at the Center as an intern during the summer of 2003. Her performance was so outstanding that we offered her a position before she left to return to graduate school. Having received her Master of Public Policy degree from the Humphrey Institute of Public Affairs at the University of Minnesota, she returned to the Center in July, stating that "I am excited to continue conducting research and policy analysis in defense of women's rights."

Elaine Fowley joined us as executive assistant to the president after a stellar career in corporate America. Now, says Elaine, "I am eager to bring my skills and experience to help the Center pursue its mission, which I believe in very deeply." And Bernadette Lee, our new administrative assistant, also is pursuing graduate degrees in International Development and Public Health at George Washington University. "I am interested to see how my studies and my work at the Center overlap and I look forward to helping advance the Center's goals," she notes.

As always, we are grateful for your financial and sisterly support of the Center's multiethnic feminist mission and programs. I hope that you will be as generous as you possibly can to help us stay strong in 2005!

Leslie R. Wolfe

## The Center at NCSL

*Continued from page 4*

of women served by WICS programs around the country. The WICS experience helps women transition from welfare to work, from homelessness to permanent housing, and from prison to freedom in their communities. Legislators were especially impressed with the success of WICS programs that help incarcerated women and women ex-offenders become productive citizens — and several expressed a desire to bring the WICS model to their states.

## EXPANDING OUR AUDIENCE THE CENTER "ON THE ROAD"

Center vice president Jennifer Tucker spoke on the findings of the Center's National Women of Color Work/Life Survey at a meeting of *The Hidden Brain Drain: Women and Minorities as Unrealized Assets Task Force* in September in New York. Tucker also serves as an advisor to the *Task Force*.

Tucker conducted a workshop on *Gender Issues in Poverty and Hunger* at the national conference of *America's Second Harvest* in September in Baltimore.

Tucker represented the Center at a September meeting sponsored by the *Milbank Memorial Fund*. The meeting brought policy makers, researchers, and health advocates together in Washington, DC to launch an effort to address the retirement security and health concerns of the leading edge of the baby boom generation of women.

Policy associate Sarah Doire represented the Center at a conference on trafficking at The American University's Washington College of Law in October in Washington, DC. The conference, *A Practitioner's Perspective on Human Trafficking*, was sponsored by *Ayuda*, *Boat People SOS*, and the College's Immigrant Rights Coalition.

Leslie Wolfe and Jennifer Tucker presented the findings of the Center's impact evaluation of the Women in Community Service (WICS) Women's Division programs at the WICS 2004 *All-Staff Forum* in October in Washington, DC.