

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8698 HOUSE LABOR & COMMERCE

The amendments to this subsection are editorial in nature and incorporate current licensing terminology.

Section 77. AS 21.56.180(d). Fair marketing standards, page 48.

The amendments to this subsection are editorial in nature and incorporate current licensing terminology.

DOMESTIC INSURER ORGANIZATIONS AND PROCEDURES

Sections 78 through 88 include procedures on redomestication to or from Alaska, procedures for voluntary surrender of a certificate of authority, requires quarterly financial statements for all insurance entities, adjusts requirements for advisory committees and special meetings of advisory committees of reciprocal insurers, clarifies definition of member insurer of the life guarantee fund, and clarifies that risk retention groups are not covered by the property/casualty guarantee fund.

Section 78. AS 21.69. Organization and Corporate Procedures, page 49.

These new sections add requirements for redomesticating an insurer to or from Alaska and requirements for voluntary surrender of a certificate of authority for an Alaska domestic insurer.

AS 21.69.645. Redomestication, page 48.

This new section provides guidance when an Alaska domestic insurer wishes to change its domestic status to another state or when an insurer that is domiciled in another state wishes to change its domicile to Alaska.

Subsection (a) requires that an insurer domiciled in another state that is licensed in this state may become a domestic of this state if they comply with all Alaska laws regarding organization and licensing of a domestic insurer and designates a principal place of business in this state.

Subsection (b) allows an Alaska domestic insurer to transfer domicile status to another state and shall be licensed in Alaska with the director's approval. The director may approve the transfer unless it is not in the interest of policyholders or the marketplace. The insurer is required to meet qualifications for being licensed in this state for three years after transfer.

Subsection (c) says that when domestic status is

transferred in or out of this state, the certificate of authority, producer appointments, rates, and other items that the director may allow will continue in effect. Outstanding policies of the insurer shall be endorsed with the new name and location of the insurer and any other information required by the director. The director shall be notified of the details of the transfer 30 days in advance.

Subsection (d) says that if the transfer is by merger or consolidation it must meet the statute requirements for mergers in Chapter 69. Certificate of authority, producer appointments, rates and other items allowed by the director shall continue in effect. Outstanding policies of the insurer shall be endorsed with the new name and location of the insurer and any other information required by the director.

Subsection (e) requires the insurer transferring to this state to file revised policy forms for approval.

Subsection (f) says that an Alaska domestic transferring to another state does not have to file new forms if the forms have already been approved in this state.

AS 21.69.648. Voluntary surrender of certificate of authority, page 50.

This new section provides guidance when an Alaska domestic insurer wishes to voluntarily surrender its certificate of authority and discontinue operations as an insurer. The insurer must make a request to extinguish the certificate of authority six months prior to the planned effective date of extinguishment of the charter. The director must conduct an examination within 12 months of the effective date of the extinguishment and all issues noted in that report must be resolved. Any business of the insurer must be canceled or reinsured.

Section 79. AS 21.72.125. Quarterly statements, page 50.

This new section allows that a benevolent association may be required by the director to submit a quarterly financial statement which must include the information required for the annual financial statement.

Section 80. AS 21.75.135. Quarterly statements, page 51.

This new section allows that a reciprocal insurer may be required to submit a quarterly financial statement and the

director may require supplemental information on the transactions of the reciprocal insurer.

Section 81. AS 21.75.170(e). Subscriber's advisory committee, page 51.

This new subsection adds that a special meeting of the subscribers committee may be called by no less than three individual subscribers. The current language of one percent of the subscribers can be burdensome for very small reciprocals.

Section 82. AS 21.75.170(g). Subscriber's advisory committee, page 51.

This new subsection allows a domestic reciprocal insurer to have a subscribers committee of not less than five persons with prior written approval of the director. This change is to remove the burden of having a nine member subscribers committee when the reciprocal is very small.

Section 83. AS 21.78.130(g). Conduct of delinquency proceedings against domestic and alien insurers, page 51.

The amendment to this subsection incorporates current licensing terminology.

Section 84. AS 21.78.271(a). Recovery of premiums owed, page 51.

The amendments to this subsection incorporate current licensing terminology.

Section 85. AS 21.79.900(6). Definitions, page 52.

The amendments to this subsection clarify the definition of "member insurer" in the Alaska Life and Disability Insurance Guaranty Association Act. This is an accreditation requirement of the NAIC.

Section 86. AS 21.80.020(b). Applicability, Page 52.

This new subsection clarifies that risk retention groups are not covered by the Alaska Insurance Guaranty Association Act consistent with the federal Liability Risk Retention Act.

Section 87. AS 21.84.340(d). Annual statement, page 52.

This new subsection allows that a fraternal benefit society may be required by the director to submit a quarterly financial statement.

Section 88. AS 21.86.080. Annual statements; additional reports, page 53.

These new subsections allow that a health maintenance organization may be required by the director to submit a quarterly financial statement and that the general rules for filing insurer financial statements in AS 21.09.200 and AS 21.09.205 apply.

MISCELLANEOUS SECTIONS, DEFINITIONS, REPEALERS, AND EFFECTIVE DATES

Sections 89 through 99 allow insurers to pay claims using electronic funds transfer, provide authority to the director to specify requirement of electronic data transfer, establish requirements and procedures for the operation of risk retention groups and purchasing groups not domestic in Alaska, add new definitions and clarify old definitions, and repeal sections which were rewritten or found to be conflicting. The effective date for legislation is July 1, 1995.

Section 89. AS 21.89.030. Payment, page 53.

The amendment to this section allows insurers to pay claims using electronic funds transfer.

Section 90. AS 21.89. Miscellaneous provisions, page 53.

These new sections allow the director to adopt standards for electronic data transfer and give the director authority to require risk retention groups and purchasing groups to register before transacting business in Alaska as consistent with the federal Liability Risk Retention Act.

AS 21.89.080. Electronic data transfer, page 53.

This new section gives the director authority to specify requirements to facilitate electronic data transfer.

AS 21.89.090. Risk retention groups and purchasing groups, page 53.

Subsection (a) requires risk retention groups and purchasing groups to register with the director.

Subsection (b) states that registration shall be on forms prescribed by the director and a fee will be required.

Subsection (c) requires the groups to submit an annual continuation application and fee.

Subsection (d) states that a risk retention group which is domiciled in Alaska and holds an Alaska certificate of authority does not need to register.

Subsection (e) states that violation of statute may result in a penalty of not more than \$10,000 per violation or \$25,000 if the director determines that the violation was wilful.

Subsection (f) allows the director to adopt regulations on operating and reporting requirements which do not conflict with federal law.

Section 91. AS 21.90.900(26). Definitions for title, page 54.

The amendment to this paragraph clarifies definition of "managing general agent" as requested by the NAIC accreditation team.

Section 92. AS 21.90.900(28). Definitions for title, page 54.

The amendment to this paragraph is primarily editorial in nature and incorporates current licensing terminology.

Section 93. AS 28.20.580. Assigned risk plans, Motor Vehicle Safety Responsibility Act, page 54.

The amendment to this section clarifies that a reciprocal insurer insuring municipalities or nonprofit utilities or providing marine insurance does not have to participate in the assigned risk plan for motor vehicle coverages.

Section 94. AS 39.25.110(30). Exempt service, State Personnel Act, page 55.

This new paragraph includes the division's actuary and assistant actuary as exempt employees.

Section 95. Repeal, page 55.

This section repeals three parts of current statute. AS 21.18.110(b)(3) removes the minimum reserve language because the paragraph is a duplicate of AS 21.18.110(t)(1) in current statute. AS 21.27.650(f)(3) contradicts AS 21.27.100(a) which does not allow a third-party administrator to appoint subagents and is repealed. The language in AS 21.36.420 is included in AS 21.36.305 in Section 59, page 40 of this legislation to locate the section in a more logical place.

Section 96. Amending Alaska Rule of Civil Procedure 45, page 55.

This section notes that AS 21.09.300(c) amends the rules of civil procedures on the subpoena of material transaction reports.

Section 97. Transition, page 55.

This section specifies that this Act applies to an insurance policy entered into or renewed on or after the effective date of the relevant provision of this Act.

Section 98. Effective Date, page 55.

This section sets the effective date to January 1, 1983 for Section 69 amending terminology regarding participants in the assigned risk pool for medical malpractice or workers compensation and for Section 93 on assigned risk pool for motor vehicle coverages.

Section 99, Effective Date, page 55.

This section specifies that all other sections of this legislation, other than effective dates specified above in Section 98, will be effective on July 1, 1995.

SB 53: Omnibus Insurance Reform

SB 53 includes language to address new areas of insurance regulation, adopt new accreditation standards added by the National Association of Insurance Commissioners (NAIC), and make corrections to the Alaska insurance statutes. The 66-page bill will bring the state's insurance statutes up-to-date with the insurance market and allow the division to maintain its national accreditation which was granted by the NAIC in December 1992.

The department supports this legislation and suggests amendments.

A sectional analysis is attached for detail information on the entire bill. Some of the key provisions include:

- regulation of risk retention groups and purchasing groups as allowed by federal law (Sec. 15);
- authority to respond to catastrophic situations (Sec. 5);
- authority to suspend the certificate of authority of an insurer for nonrenewal (Sec. 9);
- provide for voluntary surrender of an Alaska certificate of authority by an insurer domiciled in another state (Sec. 10);
- authority to refund or grant credits for overpayment of premium tax by an insurer due to error or misinterpretation (Sec. 13);
- require disclosure by an insurer of material transactions of purchase or disposal of assets or reinsurance (NAIC model law and accreditation standard) (Sec. 15);
- provide requirements for licensing of U.S. branches of alien (non-U.S.) insurers to allow these insurers to use Alaska as a base of operations for business written throughout the U.S. (NAIC model law) (Sec. 15);
- provide authority to require continuing education for licensed insurance producers (agents/brokers) (Sec. 36);
- require that the insurance premium fiduciary accounts of resident insurance licensees be located in Alaska (Sec. 41);
- provide that a single fiduciary bond can cover multiple producer office locations (Sec. 44);
- allow the director to file civil actions for damages caused by violations of statute by Managing General Agents, Reinsurance Intermediary Brokers, and Reinsurance Intermediary Managers (amendment to NAIC model law) (Sec. 46, 48, and 49);
- add incorporated insurers to the definition of a group of unincorporated insurers to reflect recent changes at Lloyd's of

London (Sec. 16 and 50);

- clarify when rate changes may be made to outstanding policies (Sec. 57-60);
- provide that false statements made in regard to a claim may result in prosecution under Alaska law (Sec. 67);
- allow the director to specify the format and content of rate and policy form filings to the division (Sec. 68-71);
- clarify health insurance coverage of newborn and adoptive children (Sec. 72);
- ~~• provide for updated regulation of consumer credit insurance (NAIC model law) (Sec. 1, 2, 75-80, and 108);~~
- provide for redomestication of insurers domiciled in Alaska and moving to another state or requesting to move their domicile from another state to Alaska (Sec. 90);
- provide for voluntary surrender of an Alaska certificate of authority by a domestic insurer (Sec. 90);
- provide the authority to request quarterly financial statements from all entities regulated by the division (Sec. 12, 91, 92, 99, and 100);
- allow insurers to pay claims by electronic funds transfer (Sec. 101);
- provide authority to the director to specify requirements for electronic data transfer (Sec. 102); and
- otherwise make corrections and clarify statute provisions.

PROPOSED AMENDMENTS

(Made in Senate LIC)

* Section __. AS 21.06.120(c) is amended to read:

(c) In place of an examination by the director, the director may accept a full report of the last recent examination of a foreign or alien insurer, certified to by the insurance supervisory official of another state, territory, commonwealth, or district of the United States. **The director may require that** [IF]

(1) the insurance regulatory agency conducting the examination was at the time of the examination accredited by the National Association of Insurance Commissioners;

POSITION PAPER
SB 53
PAGE 4

Explanation: This is basically an editorial correction. The existing wording was misleading and our original suggestion did not totally clarify the language.

Page 12, Line 25
Delete "and"

Explanation: This was a printing error.

Page 42, Line 4
Return the paragraph to its original wording so it reads:
"(4)(e), (f), (g), or (h) of this section is a class C felony;"

Page 42, Line 7
Delete "and"

Page 43, Line 2
After the word "provision"
Insert "; and (9) (p)(2) - (4) of this section is prosecutable under AS 11.46"

Explanation: The three amendments listed above will conform the section to the language recommended by the Department of Law and allow for flexibility in the determining the penalty class of the fraudulent or criminal act that was committed.

Page 44, Line 15
After the word "state,"
Insert "or a health maintenance organization authorized under AS 21.86 to offer an enrollee contract to provide health care services on a prepaid basis,"

Add four new bill sections:

* Sec. __. AS 21.42.353 is amended to read:

An insurer authorized under AS 21.09 to offer, issue for delivery, deliver, or renew a disability insurance policy in the state, or a hospital or medical service corporation authorized under AS 21.87 to offer or renew a subscriber's contract, or a health maintenance organization authorized under AS 21.86 to offer an enrollee contract to provide health care services on a prepaid basis. may offer coverage for services of an acupuncturist licensed under AS 08.06 if the policy or contract covers acupuncture treatment by a health care provider who is subject to other provisions of AS 08.

*Sec. __. AS 21.42.355 is amended to read:

(a) If an individual or group disability insurance policy, subscriber's contract, health maintenance organization enrollee contract, or fraternal benefit society certificate provides for

indemnity for the cost of services of a physician provided to women during pregnancy, childbirth, and the period after childbirth, indemnity in a reasonable amount shall also be provided for the cost of an advanced nurse practitioner who provides the same services. Indemnity may be provided under this subsection only if the advanced nurse practitioner is certified to practice as a nurse midwife in accordance with regulations adopted under AS 08.68.100(a), and the services provided are within the scope of practice authorized by that certification.

(b) If an individual or group disability insurance policy, [A] subscriber's contract, health maintenance organization enrollee contract, or fraternal benefit society certificate provides for furnishing those services required of a physician in the care of women during pregnancy, childbirth, and the period after childbirth, the contract shall also provide that an advanced nurse practitioner may furnish those same services instead of a physician. Services may be provided under this subsection only if the advanced nurse practitioner is certified to practice as a nurse midwife in accordance with regulations adopted under AS 08.68.100(a), and the services provided are within the scope of practice authorized by that certification.

*Sec. __. AS 21.42.375(a) is amended to read:

(a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver, or renew an individual or group disability insurance policy for medical coverage on an expense incurred basis in the state, or a hospital or medical service corporation authorized under AS 21.87 to offer or renew a subscriber's contract for medical coverage in the state, or a health maintenance organization authorized under AS 21.86 to offer an enrollee contract to provide health care services on a prepaid basis shall provide coverage for low-dose mammography screening under the schedule described in (b) of this section if the policy or contract covers mastectomies and prosthetic devices and reconstructive surgery incident to mastectomies.

*Sec. __. AS 21.42.380 is amended to read:

(a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver, or renew an individual or a group disability insurance policy for major medical coverage on an expense[-] incurred basis in the state, or a hospital or medical service corporation authorized under AS 21.87 to offer or renew a group contract for major medical coverage in the state, or a health maintenance organization authorized under AS 21.86 to offer an enrollee contract to provide health care services on a prepaid basis, must provide coverage for the formulas necessary for the treatment of phenylketonuria. This subsection does not apply to

(1) a Medicare supplement insurance policy;

(2) long-term care insurance;

(3) an insurance policy regulated under 5 U.S.C. 8901 - 8914 or 42 U.S.C. 1395mm;

(4) an insurance policy that provides services or reimbursement exclusively for optometric or vision care, dental or orthodontic care, podiatric, ambulance, mental health, or chiropractic care;

(5) an insurance policy that the director has, in writing, determined should be excluded from this subsection.

(b) The insurer, hospital or medical service corporation, or health maintenance organization, providing coverage under this section may impose reasonable contract limitations but may not refuse coverage based on a preexisting condition of phenylketonuria or require that the insured, [OR] subscriber, or health maintenance organization enrollee pay a higher deductible or copayment for the cost of treating phenylketonuria than for the cost of treating another condition or illness.

(c) In this section

(1) "copayment" means the portion of the cost to be paid by the insured, [OR] subscriber, or health maintenance organization enrollee in excess of the deductible;

(2) "cost" means the lowest of the following:

(A) the actual charge for the treatment received for phenylketonuria;

(B) the usual, customary, and reasonable charge for the treatment as determined by the contract of coverage; or

(C) the charge agreed to by contract between the provider and the insurer, hospital [SERVICE CORPORATION,] or medical service corporation or health maintenance organization;

(3) "deductible" means the portion of covered costs that must be incurred before benefits become payable;

(4) "long-term care insurance" has the meaning given in AS 21.53.200;

(5) "major medical coverage" means a disability insurance contract, [OR] a subscriber contract, or a health maintenance organization enrollee contract that provides benefits for hospital and medical care with potential lifetime maximum benefits for the insured, [OR] subscriber, or health maintenance organization

enrollee of at least \$10,000.

Renumber the following sections.

Explanation: The five changes above revise sections of the health insurance contract statutes by making them applicable to health maintenance organizations.

Page 63, Line 1

After the word "state"

Insert "to the degree that they are not preempted by federal law"

Explanation: This qualifying language is needed to avoid conflict with federal law.

Page 63, Line 6

Delete "and the laws of this state"

Explanation: The Liability Risk Retention Act clearly allows nondomestic states to require registration but only for information purposes. Registration in this case is not a license and can not be used for a direct regulatory purpose. The only question that can be posed is that regarding completeness of the registration information. If an RRG is not in compliance with state law that fact can not be used to delay registration, particularly since federal law in many cases allows an RRG to be in noncompliance with state law.

Page 63, Lines 12 - 14

Delete in their entirety.

Renumber the following subsections.

Explanation: The state cannot link the registration process or its continuation to compliance with the federal law.

Page 63, Lines 15 and 16

Delete in their entirety.

Renumber the following subsections.

Explanation: If a risk retention group does not comply with the federal law, they are only in violation of state law if they do things that are specifically stated in Alaska law. This section does not do anything that is not already done elsewhere in the statutes.

Page 63, Line 20

Delete "(1)"

Page 63, Line 22

Delete "; and"

POSITION PAPER
SB 53
PAGE 8

Page 63, Line 23

Delete "(2) denial, noncontinuation, or revocation of a registration"

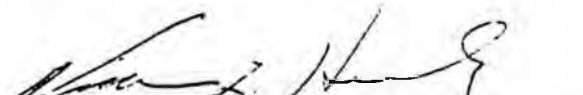
Explanation: The three items above also pertain to RRGs. Under federal law, as noted above, registration is not a license. It cannot be discontinued, revoked, or denied by state action. This provision, as currently written, is overreaching. A number of these RRG issues have not been clear cut. As case law has developed in other areas, it has become more clear that there are distinct limitations on state authority. The above suggested changes reflect things that have recently been learned through participation in the Risk Retention Working Group at the NAIC.

Sec. 102. AS 21.89.100, Appointment of Independent Counsel: Conflicts of Interest

Page 63, Line 27 - Page 65, Line 11

Delete the entire provision.

Explanation: This provision was not authored by the Division of Insurance. The division's legal counsel has recently advised that this provision is neither necessary nor consistent with the Alaska Supreme Court decision (CHI of Alaska, Inc. v. Employers Reinsurance Corporation, 844 P. 2d 1113 (Alaska 1993)) it seeks to implement and, thus, should be removed from the bill.



William L. Hensley, Commissioner

Date: 2/13/95

05/05/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

15:08:25

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:50701 SCHEDULED FOR:05/05/95 15:00 TO 17:00

FOR:ANC

PUBLIC HEARING

HOUSE LABOR & COMMERCE

LOCATION: ANCHORAGE

SB 53

DAVID

STEBING

A.G. OFFICE

TESTIFY

AMENDMENT NO. 1 TO CS SB 53 (JUD)

By Representative Pete Kott

Incorporate into CS HB 53(JUD), at an appropriate place, language from SB 53 starting on page 63 line 27 and ending on page 65, line 11, inclusive. See attached.

Amend the title accordingly.

Sec. 21.89.100. APPOINTMENT OF INDEPENDENT COUNSEL; CONFLICTS OF INTEREST. (a) If an insurer has a duty to defend an insured under a policy of insurance and a conflict of interest arises that imposes a duty on the insurer to provide independent counsel to the insured, the insurer shall provide independent counsel to the insured unless the insured in writing waives the right to independent counsel. An insurance policy may contain a provision that provides a method of selecting independent counsel if the provision complies with this section.

(b) For purposes of this section, the following do not constitute a conflict of interest:

- (1) a claim of punitive damages;
- (2) a claim of damages in excess of the policy limits;
- (3) claims or facts in a civil action for which the insurer denies coverage; however, this paragraph does not apply if the insurer reserves the insurer's rights on the issue for which coverage is denied and the outcome of that coverage issue can be controlled by counsel initially retained by the insurer for the defense of the claim.

(c) If the insured selects independent counsel at the insurer's expense, the insurer may require that the independent counsel have at least ~~two~~^{four} years of experience in civil litigation, including substantial defense experience in the subject at issue in the civil action, and malpractice insurance. Unless otherwise provided in the insurance policy, the obligation of the insurer to pay the fee charged by the independent counsel is limited to the rate that ~~is~~^{is} actually paid by the insurer to an attorney in the ordinary course of business in the defense of a similar civil action in the community in which the claim arose or is being defended. A dispute between the insurer and insured regarding attorney fees that is not resolved by the insurance policy or this section shall be resolved by arbitration under AS 09.43.

(d) If the insured selects independent counsel at the insurer's expense, the independent counsel and the insured shall consult with the insurer on all matters relating to the civil action and shall disclose to the insurer in a timely manner all information relevant to the civil action, except information that is privileged and relevant to disputed coverage. A claim of privilege is subject to review in the appropriate court. Information disclosed by the independent counsel or the insured does not waive another party's right to assert privilege.

(e) An insured may waive the right to select independent counsel by signing a statement that reads substantially as follows:

I have been advised of my right to select independent counsel to represent me in this lawsuit. I have considered this matter fully and at this time I am waiving my right to select independent counsel. I have authorized my insurer to select a defense counsel to represent me in this lawsuit.

(f) If an insured selects independent counsel under this section, both the counsel representing the insurer and independent counsel representing the insured shall be allowed to participate in all aspects of the civil action. Counsel for the insurer and insured shall cooperate fully in exchanging information that is consistent with ethical and legal obligations to the insured. Nothing in this section relieves the insured of the duty to cooperate fully with the insurer as required by the terms of the insurance policy.

SENATE BILL NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION
BY THE SENATE JUDICIARY COMMITTEE BY REQUEST
 Introduced:
 Referred:
A BILL
FOR AN ACT ENTITLED

Amendment #
2

1 ~~"An Act~~ relating to consumer credit insurance; and providing for an effective
 2 date."

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

4 * Section 1. AS 06.20.260(a) is amended to read:

5 (a) A further or other charge or amount for an examination, service, brokerage
 6 commission, expense, fee, bonus, or other thing may not be directly or indirectly
 7 charged, contracted for, or received except

8 (1) lawful fees actually paid out by the licensee to a public officer for
 9 filing, recording, or releasing any instrument securing the loan, or for transferring
 10 certificate of title to a motor vehicle securing the lien or noting a lien on that
 11 certificate;

12 (2) premiums actually paid out for insurance on any one or combination
 13 of the following: pledged property of the borrower, or consumer credit [LIFE]
 14 insurance; in this paragraph "consumer credit insurance" has the meaning given

1 in AS 21.57.160 [ON THE LIFE OF ONE OR MORE BORROWERS, CREDIT LOSS
2 OF INCOME INSURANCE, OR CREDIT DISABILITY INSURANCE TO PROVIDE
3 INDEMNITY FOR PAYMENTS BECOMING DUE ON THE INDEBTEDNESS];

4 (3) taxable costs and expenses to which the licensee becomes entitled
5 under general law in any court proceedings to collect a loan or to realize on the
6 security after default;

7 (4) reasonable fees paid by a licensee for appraisals, surveys, and title
8 insurance or reports if the loan is secured by an interest in real estate;

9 (5) a late payment fee of not more than 10 percent of the payment that
10 is due or \$15, whichever is less.

11 * Sec. 2. AS 06.20.287(a) is amended to read:

12 (a) A licensee may obtain consumer credit [LIFE, CREDIT DISABILITY,]
13 and property insurance on open-end loans under this chapter. The consumer credit
14 [LIFE AND CREDIT DISABILITY] insurance obtained by a licensee shall satisfy the
15 requirements of AS 21.57. The property insurance obtained by a licensee shall satisfy
16 the requirements of AS 21.30 and AS 21.42. The licensee shall comply with
17 AS 21.36.160 and 21.36.165 during all transactions with borrowers involving
18 consumer credit [LIFE, CREDIT DISABILITY] and property insurance.

19 * Sec. 3. AS 21.57.010 is amended to read:

20 Sec. 21.57.010. PURPOSE. The purpose of this chapter is to promote the
21 public welfare by regulating consumer credit [LIFE INSURANCE AND CREDIT
22 DISABILITY] insurance. Nothing in this chapter is intended to prohibit or discourage
23 reasonable competition. The provisions of this chapter shall be liberally construed.

24 * Sec. 4. AS 21.57.020 is repealed and reenacted to read:

25 Sec. 21.57.020. APPLICABILITY. Consumer credit insurance transacted in
26 connection with a credit transaction for a personal, household, or family purpose is
27 subject to the provisions of this chapter except

28 (1) insurance written in connection with a credit transaction that is

29 (A) secured by a first mortgage or first deed of trust; and

30 (B) made to finance the purchase of real property, the
31 construction of a dwelling, or to refinance a prior credit transaction made for

1 that purpose;

2 (2) an isolated insurance transaction by the insurer not related to an
3 agreement or a plan for insuring debtors of the creditor;

4 (3) insurance for which no identifiable charge is made to the debtor;
5 or

6 (4) a loan or other credit transaction that exceeds \$30,000.

7 * Sec. 5. AS 21.57.030 is repealed and reenacted to read:

8 Sec. 21.57.030. AUTHORIZED TYPES OF CONSUMER CREDIT
9 INSURANCE. A type of consumer credit insurance defined in AS 21.57.160 may be
10 written separately or in combination with other types of consumer credit insurance on
11 an individual or group basis.

12 * Sec. 6. AS 21.57.040 is repealed and reenacted to read:

13 Sec. 21.57.040. AMOUNT OF CONSUMER CREDIT INSURANCE. (a) The
14 amount of coverage for credit life insurance payable at the time of loss

15 (1) may not exceed the greater of the actual net debt or the scheduled
16 net debt, except insurance on an

17 (A) agricultural credit transaction commitment, not exceeding
18 one year in duration, may be written up to the amount of the loan commitment
19 on a nondecreasing or level term plan; and

20 (B) educational credit transaction commitment may be written
21 for the net outstanding balance plus any unused commitment;

22 (2) may not be less than the actual net debt less any payments more
23 than two months overdue if the coverage is written on the actual outstanding net debt;

24 (3) may not exceed the following if the coverage is written on the
25 scheduled outstanding net debt:

26 (A) the scheduled net debt if the actual net debt is less than or
27 equal to the scheduled net debt;

28 (B) the actual net debt if the actual net debt is greater than the
29 scheduled net debt but less than or equal to the scheduled net debt plus two
30 months of payments; or

31 (C) the scheduled net debt plus two months of payments if the

1 actual net debt is greater than the scheduled net debt plus two months of
2 payments;

3 (4) must equal the actual net debt on the date of death if a premium is
4 assessed to the debtor on a monthly basis and is based on the actual net debt; and

5 (5) may be less than the net debt when the partial coverage is
6 calculated using one of the following:

7 (A) the amount of insurance is the lesser of a stated amount and
8 the amount is determined by (2) of this subsection;

9 (B) the amount of insurance is the lesser of a stated amount and
10 the amount is determined by (3) of this subsection;

11 (C) the amount of insurance is a constant percentage of the
12 amount determined by (2) or (3) of this subsection; or

13 (D) in the absence of any preexisting condition exclusion, the
14 amount of insurance payable in the event of death due to natural causes is
15 limited to the balance as it existed six months before the date of death if

16 (i) there has been at least one increase in the outstanding
17 balance during that six-month period, other than an increase due to the
18 accrual of interest or late charges; and

19 (ii) evidence of individual insurability has not been
20 required during that six-month period.

21 (b) The director may provide for other patterns of insurance consistent with
22 (a) of this section by regulation.

23 (c) The total amount of periodic indemnity payable in the event of disability
24 or unemployment, as defined in the policy, may not exceed the sum of the periodic
25 scheduled unpaid installments of the gross debt. The amount of a periodic indemnity
26 payment may not exceed the original gross debt divided by the number of periodic
27 installments.

28 (d) If credit disability insurance or credit unemployment insurance is written
29 in connection with an open-end consumer credit agreement, the amount of insurance
30 may not exceed the gross debt that would accrue on the amount using the creditor's
31 minimum repayment schedule. The periodic indemnity need not relate to the creditor's

1 minimum repayment schedule.

2 * Sec. 7. AS 21.57.050 is repealed and reenacted to read:

3 Sec. 21.57.050. DURATION OF COVERAGE. (a) The effective date of
4 coverage for

5 (1) consumer credit insurance that is elected by the debtor before or
6 contemporaneous with a credit transaction is the date when the debtor becomes
7 obligated to the creditor, except that when evidence of individual insurability is
8 required and the evidence is furnished more than 30 days after the date when the
9 debtor becomes obligated to the creditor, the effective date may be the date on which
10 the insurance company determines the evidence to be satisfactory;

11 (2) insurance coverage that is elected by the debtor on a date
12 subsequent to the date of the credit transaction is, subject to acceptance by the insurer,
13 a date not earlier than the date the election is made by the debtor or later than 30 days
14 following the date on which the insurer accepts the risk for coverage; an insurer shall
15 determine if a risk is acceptable by an objective method, including one related to a
16 particular date within a billing or repayment cycle or a calendar month; and

17 (3) a group policy that provides coverage with respect to a debt existing
18 on the policy effective date, must be on or after the effective date of the group policy.

19 (b) A charge for insurance may not be made to the debtor and retained by the
20 creditor or insurer for a time before commencement of the consumer credit insurance
21 to which the charge is related.

22 (c) The duration of coverage for consumer credit insurance may not extend

23 (1) beyond the termination date specified in the policy; the termination
24 date of insurance may precede, coincide with, or follow the scheduled maturity date
25 of the debt to which it relates, subject to any other requirements and restrictions of this
26 chapter; and

27 (2) more than 15 days beyond the scheduled maturity date of the debt
28 except when extended

29 (A) without additional cost to the debtor; or

30 (B) under a written agreement signed by the debtor, in
31 connection with a variable interest rate credit transaction or a deferral, renewal,

1 refinancing, or consolidation of debt.

2 (d) If the debt is discharged due to renewal, refinancing, or consolidation
3 before the scheduled termination date of the insurance, insurance in force must be
4 terminated before new insurance may be written in connection with the renewed,
5 refinanced, or consolidated debt.

6 (e) If insurance coverage terminates before the scheduled termination of the
7 insurance, the insurer shall make an appropriate refund or credit to the debtor. The
8 refund or credit must consist of the unearned insurance charge paid by the debtor for
9 insurance after the date of the termination, except that a refund is not required of a
10 charge made for insurance if the insurance is terminated by performance of the
11 insurer's obligation with respect to the insurance.

12 (f) An insured debtor may terminate consumer credit insurance at any time by
13 providing advance notice to the insurer. The individual policy or group certificate may
14 require that the notice be in writing or that the debtor surrender the individual policy
15 or group certificate, or both. The debtor's right to terminate coverage may also be
16 subject to the terms of the credit transaction contract.

17 * Sec. 8. AS 21.57 is amended by adding a new section to read:

18 Sec. 21.57.055. DISCLOSURE TO DEBTORS. (a) Before a debtor elects to
19 purchase consumer credit insurance in connection with a credit transaction, the insurer
20 shall disclose the following in writing to the debtor:

21 (1) the purchase of consumer credit insurance is optional and not a
22 condition of obtaining credit approval;

23 (2) if more than one kind of consumer credit insurer is being made
24 available to the debtor, whether the debtor can purchase the insurance separately or the
25 multiple coverage only as a package;

26 (3) the conditions of eligibility;

27 (4) if the debtor has other insurance that covers the risk, the debtor may
28 not want or need credit insurance;

29 (5) if the creditor requires consumer credit insurance as additional
30 security for a debt, the debtor has the option of furnishing the required amount of
31 insurance through existing policies owned or procured by the debtor or of procuring

1 and furnishing the required insurance through an insurer authorized to transact
2 insurance business in this state;

3 (6) the effective date of the coverage;

4 (7) the debtor may cancel the coverage within the first 30 days after
5 receiving the individual policy or group certificate and have a premium paid by the
6 debtor refunded or credited; thereafter, the debtor may cancel the policy at any time
7 during the term of the loan and receive a refund of unearned premium;

8 (8) a brief description of the coverage, including

9 (A) the amount;

10 (B) the term;

11 (C) any exceptions, limitations, or exclusions;

12 (D) the insured event;

13 (E) any waiting or elimination period;

14 (F) any deductible;

15 (G) any applicable waiver of premium provision;

16 (H) to whom the benefits would be paid; and

17 (I) the premium rate for a coverage or for multiple coverage in
18 a package;

19 (9) if the premium or insurance charge is financed, it is subject to
20 finance charges at the rate applicable to the credit transaction or at another specified
21 rate; and

22 (10) whether or not the benefits provided are sufficient to pay off the
23 debt in full, including finance charges unearned at the time of the claim.

24 (b) The disclosure required in (a) of this section shall be provided in the
25 following manner:

26 (1) in connection with consumer credit insurance offered
27 contemporaneously with the extension of credit or offered through direct mail
28 advertisements, the disclosure shall be presented to the consumer in a clear and
29 conspicuous manner; or

30 (2) in conjunction with the offer of credit insurance by telephone and
31 contemporaneously with the extension of credit or subsequent to the extension of credit

1 by other than direct mail advertisements, the initial disclosure may be provided orally
2 as long as written disclosure is provided to the debtor not later than 10 days after the
3 offer or the date any other written material is provided to the debtor, whichever occurs
4 first.

5 (c) If the debtor elects to purchase coverage, the delivery of the disclosure
6 required in (b) of this section shall be acknowledged by the debtor at the time of
7 delivery, and the insurer shall maintain the debtor's written acknowledgement for at
8 least five years.

9 * Sec. 9. AS 21.57.060 is repealed and reenacted to read:

10 Sec. 21.57.060. PROVISIONS OF POLICIES AND CERTIFICATES OF
11 INSURANCE. (a) Consumer credit insurance shall be evidenced by an individual
12 policy or a group certificate of insurance.

13 (b) The individual policy or group certificate must, in addition to other
14 requirements of law, set out

15 (1) the name and home office address of the insurer;

16 (2) the name of the debtor;

17 (3) the premium to be paid by the debtor disclosed separately for each
18 kind of coverage or for all coverage in a package, except that for open-ended loans,
19 the premium rate and the basis of premium calculation must be specified;

20 (4) a full description of the coverage including the amount, the term,
21 and any exceptions, limitations, or exclusions;

22 (5) a statement that the benefits shall be paid to the creditor to reduce
23 or extinguish the unpaid debt and that, whenever the amount of insurance benefit
24 exceeds the unpaid debt, the excess is payable to the debtor, a beneficiary other than
25 the creditor named by the debtor, or the debtor's estate;

26 (6) an explanation of how refunds are calculated in the event of policy
27 termination; and

28 (7) if the benefit is not adequate to completely pay off the debt existing
29 on the date of death or disability, a statement to that effect on the face of the
30 individual policy or group certificate in not smaller than 10 point, bold face type.

31 * Sec. 10. AS 21.57.070 is repealed and reenacted to read:

1 Sec. 21.57.070. REQUIREMENTS FOR EVIDENCE OF INSURANCE. (a)

2 Unless the individual policy or group certificate of insurance is delivered to the debtor
3 at the time the debt is incurred or when the debtor elects to purchase coverage, a copy
4 of the application for the policy or a notice of proposed insurance, signed by the
5 debtor and setting out (1) the name and home office address of the insurer, (2) the
6 name of the debtor, (3) the premium rate to be paid by the debtor for the insurance,
7 and (4) the amount, term, and a brief description of the coverage provided, shall be
8 delivered to the debtor at the time the debt is incurred or the election to purchase
9 coverage is made, or, within 10 days from the date of the election to purchase
10 coverage, if the election to purchase coverage is made by telephone. The copy of the
11 application for or notice of proposed insurance must refer exclusively to insurance
12 coverage and must be separate and apart from the loan, sale, other credit statement of
13 account, instrument, or agreement, unless the information required by this subsection
14 is prominently set out in it. Upon acceptance of the insurance by the insurer and
15 within 30 days of the date upon which the debt is incurred or the election to purchase
16 coverage is made, the insurer shall deliver the individual policy or group certificate of
17 insurance to the debtor. The application or notice of proposed insurance must state
18 that upon acceptance by the insurer, the insurance shall become effective as provided
19 in AS 21.57.050(a).

20 (b) The application or notice of proposed insurance may be used to fulfill all
21 of the requirements of AS 21.57.055(a) and 21.57.060(b) if it contains all of the
22 information required by those subsections.

23 (c) A debtor has 30 days from the date the debtor receives the individual
24 policy or the group certificate to review the coverage purchased. At any time within
25 the 30-day period, the debtor may contact the creditor or insurer issuing the policy or
26 certificate and request that the coverage be cancelled. An individual policy or group
27 certificate may require the request be in writing, that the policy or certificate be
28 returned to the insurer, or both. If a policy is cancelled, the insurer shall return a full
29 refund or credit of all premiums or insurance charges to the debtor within 30 days.

30 (d) If the named insurer does not accept the risk, the debtor shall receive a
31 policy or certificate of insurance listing the name and home office address of the

1 substituted insurer and the amount of the premium to be charged. If the amount of
2 premium is less than the amount in the notice of proposed insurance, the insurer shall
3 issue an appropriate refund within 30 days. If the risk is not accepted by an insurer,
4 a premium paid by the debtor shall be refunded or credited to the debtor within 30
5 days of the date of application.

6 (e) For the purposes of (a) of this section, an individual policy or group
7 certificate delivered in conjunction with an open-end consumer credit agreement or
8 consumer credit insurance requested by the debtor after the date of the debt is
9 considered to be delivered at the time the debt incurred or election to purchase
10 coverage is made if the delivery occurs within 30 days of the date the insurance is
11 effective.

12 (f) An individual policy or group certificate delivered in conjunction with an
13 open-end consumer credit agreement shall continue from its effective date through the
14 term of the agreement unless the individual policy or group certificate is terminated
15 under its terms at an earlier date.

16 * Sec. 11. AS 21.57.080 is repealed and reenacted to read:

17 Sec. 21.57.080. FILING OF FORMS AND RATES. (a) An insurance policy,
18 certificate of insurance, notice of proposed insurance, insurance disclosure notice,
19 application for insurance, endorsement, and rider delivered or issued for delivery in
20 this state, and the applicable schedules of premium rates shall be filed with the director
21 before being used.

22 (b) A document required to be filed under (a) of this section must be on file
23 for a waiting period of 30 days before it is used or becomes effective, unless the
24 director gives prior written approval. This period may be extended for an additional
25 30 days if the director gives written notice within the waiting period to the insurer
26 making the filing. The director shall disapprove a filing if the premium rate charged
27 is not reasonable in relation to benefits or if it contains provisions that are unjust,
28 unfair, inequitable, misleading, deceptive, encourage misrepresentation of the policy,
29 or are contrary to a provision of this title or a regulation adopted under this title. A
30 filing is considered to be approved unless it is disapproved by the director within the
31 waiting period. In determining the reasonableness of premium rates in relation to

1 benefits, the director may consider claim costs, general and administrative expenses,
2 reasonable compensation to producers, profit, or other relevant data.

3 (c) If the director notifies the insurer that a document required to be filed
4 under (a) of this section is disapproved, the insurer may not issue or use any part of
5 the document. In providing notice of disapproval to the insurer, the director shall
6 specify the reason for disapproval and indicate that the insurer is entitled to a hearing.

7 (d) The director may, at any time after a hearing, withdraw approval of a filing
8 on the grounds specified under (b) of this section. The director shall provide the
9 insurer at least 20 days' prior written notice of a hearing scheduled by the director, and
10 the notice of the hearing must state the reason for the proposed withdrawal.

11 (e) An insurer may not issue or use a document required to be filed under (a)
12 of this section after the effective date of a withdrawal of approval under (d) of this
13 section.

14 (f) If a group policy of consumer credit insurance (1) has been delivered in
15 this state before July 1, 1995, or (2) has been or is delivered in another state before
16 or after July 1, 1995, the insurer shall be required to file only the group certificate and
17 notice of proposed insurance delivered or issued for delivery in this state as specified
18 in AS 21.57.060(b) and 21.57.070(a).

19 (g) Consumer credit insurance forms used for insurance described under (f) of
20 this section shall be approved by the director if they conform with the requirements
21 specified in this section and if the schedules of premium rates applicable to the
22 insurance evidenced by the certificate or notice are in accordance with the insurer's
23 schedules of premium rates filed with the director. An item required to be filed under
24 (a) of this section shall also be filed as specified in this chapter unless the item relates
25 to a group policy that is delivered in another state and the director has determined that
26 the other state has substantially similar statutes or regulations to this chapter. Upon
27 this determination, the items required to be filed under (a) of this section shall be filed
28 for informational purposes. If the director subsequently determines that the
29 informational filing is not in compliance with the requirements of this chapter, the
30 insurer may not use the insurance policy, form, certificate, notice of proposed
31 insurance, disclosure notice, advertisement, application for insurance, endorsement, or

1 rider.

2 * Sec. 12. AS 21.57.090 is amended to read:

3 Sec. 21.57.090. PREMIUMS AND REFUNDS. (a) An insurer may revise its
4 schedules of premium rates from time to time, and file the revised schedules with the
5 director. An insurer may not issue a consumer credit [LIFE INSURANCE POLICY
6 OR CREDIT DISABILITY] insurance policy for which the premium rate differs from
7 [EXCEEDS] that determined by the schedules of the insurer then approved by [ON
8 FILE WITH] the director.

9 (b) An [EACH] individual policy or group certificate must provide for a
10 refund of all unearned premiums [THAT] if the insurance is terminated before the
11 scheduled maturity date of the insurance and notice of termination is given to the
12 insurer. The [INDEBTEDNESS, ANY] refund of an amount paid by the debtor for
13 insurance shall be paid or credited promptly to the person entitled to it; provided,
14 however, that the director shall prescribe a minimum refund and a [NO] refund that
15 would be less than the minimum need not be made. A refund formula that an
16 insurer desires to use must provide refunds that are at least as favorable to the
17 debtor as refunds based on the rule of anticipation. The formula to be used in
18 computing refunds shall be filed with and approved by the director.

19 (c) If a creditor requires a debtor to make a payment for consumer credit
20 [LIFE INSURANCE OR CREDIT DISABILITY] insurance and an individual policy
21 or group certificate of insurance is not issued, the creditor shall immediately give
22 written notice to the debtor and shall promptly make an appropriate credit to the
23 account or issue a refund.

24 (d) The amount charged to a debtor for consumer credit [LIFE OR CREDIT
25 DISABILITY] insurance may not exceed the premium charged by the insurer, as
26 computed at the time the charge to the debtor is determined.

27 * Sec. 13. AS 21.57.090 is amended by adding a new subsection to read:

28 (e) Nothing in this chapter may be construed to authorize a payment for
29 insurance prohibited under other provisions of law governing credit transactions.

30 * Sec. 14. AS 21.57.120 is amended to read:

31 Sec. 21.57.120. SELECTION RIGHTS OF INSURED [EXISTING

1 INSURANCE]. When consumer credit [LIFE INSURANCE OR CREDIT
2 DISABILITY] insurance is required as additional security for a debt [AN
3 INDEBTEDNESS], the debtor shall, upon request to the creditor, have the option of
4 furnishing the required amount of insurance through existing policies of insurance
5 owned or controlled by the debtor or of procuring and furnishing the required coverage
6 through an insurer authorized to transact an insurance business in this state.

7 * Sec. 15. AS 21.57 is amended by adding a new section to read:

8 Sec. 21.57.125. DUTIES OF AN INSURER. Except as otherwise prohibited
9 by law, duties imposed upon an insurer by this chapter may be carried out by a
10 creditor if the creditor is licensed under AS 21.27 as an insurance producer, a
11 managing general agent, or a third-party administrator, and transacts business within
12 the scope of its license on behalf of the insurer.

13 * Sec. 16. AS 21.57.150 is repealed and reenacted to read:

14 Sec. 21.57.150. PENALTIES. (a) In addition to any other penalty provided
15 by law, a person licensed under AS 21.27 that the director determines under
16 AS 21.06.170 - 21.06.240 has violated the provisions of this chapter is subject to

17 (1) a civil penalty equal to the compensation promised, paid, or to be
18 paid, directly or indirectly, to the licensee in regard to a violation;

19 (2) either a civil penalty of not more than \$10,000 for a violation or,
20 if the director determines that the person wilfully violated the provisions of this
21 chapter, a civil penalty of not more than \$25,000 for a violation; and

22 (3) denial, nonrenewal, suspension, or revocation of a license.

23 (b) In addition to any other penalty provided by law, an insurer that the
24 director determines under AS 21.06.170 - 21.06.240 has violated the provisions of this
25 chapter is subject to

26 (1) a civil penalty equal to the premium earned, directly or indirectly,
27 by the insurer in regard to a violation;

28 (2) either a civil penalty of not more than \$10,000 for a violation or,
29 if the director determines that the insurer wilfully violated the provisions of this
30 chapter, a civil penalty of not more than \$25,000 for a violation; and

31 (3) denial, suspension, or revocation of a certificate of authority.

1 (c) In addition to any other penalty provided by law, any person that the
2 director determines under AS 21.06.170 - 21.06.240 has violated the provisions of this
3 chapter is subject to

4 (1) either a civil penalty of not more than \$10,000 for a violation or,
5 if the director determines that the person wilfully violated the provisions of this
6 chapter, a civil penalty of not more than \$25,000 for a violation; and

7 (2) denial of a license.

8 * Sec. 17. AS 21.57.160 is repealed and reenacted to read:

9 Sec. 21.57.160. DEFINITIONS. In this chapter,

10 (1) "agriculture credit transaction commitment" means a binding
11 agreement to loan money up to a fixed amount as needed for agricultural purposes;

12 (2) "compensation" means commissions, dividends, retrospective rate
13 credits, service fees, expense allowances or reimbursements, gifts, furnishing
14 equipment, facilities, goods, or services, or any other form of remuneration resulting
15 directly from the sale of consumer credit insurance;

16 (3) "consumer credit insurance" means credit life insurance, credit
17 disability insurance, or credit unemployment insurance;

18 (4) "credit disability insurance" means insurance on a debtor to provide
19 indemnity for payments or debt becoming due on a specific loan or other credit
20 transaction while the debtor is disabled;

21 (5) "credit life insurance" means insurance on the life of a debtor under
22 or in connection with all or a part of a specific loan or other credit transaction;

23 (6) "credit unemployment insurance" means insurance on a debtor to
24 provide indemnity for payments or debt becoming due on a specific loan or other
25 credit transaction while the debtor is involuntarily unemployed;

26 (7) "credit transaction" means a transaction by which the repayment for
27 money loaned or a loan commitment made or payment for goods, services, or
28 properties sold or leased is made at a future date;

29 (8) "creditor" means a person who lends money or who sells or leases
30 goods, services, property, rights, or privileges, for which payment is arranged through
31 a credit transaction, and includes a person who is a successor to the right, title, or

1 interest of the lender, seller, or lessor;

2 (9) "debtor" means a person who borrows money, or purchases or
3 leases goods, services, property, rights, or privileges for which payment is arranged
4 through a credit transaction;

5 (10) "educational credit transaction commitment" means a binding
6 agreement to loan money up to a fixed amount as needed for educational purposes;

7 (11) "gross debt" means the total of the remaining payments owed to
8 the creditor by the debtor;

9 (12) "identifiable charge" means a charge for consumer credit insurance
10 that is made to a debtor having the benefit of the insurance, including a charge for
11 insurance that is disclosed in the consumer credit agreement or other instrument
12 furnished to the debtor that sets out the financial elements of the credit transaction, and
13 any difference in the finance, interest, service, or other similar charge made to a debtor
14 in a like circumstance, except for their insured or noninsured status;

15 (13) "net debt" means the amount necessary to liquidate the remaining
16 debt in a single lump sum payment, excluding all unearned finance charges;

17 (14) "open-end consumer credit" means consumer credit extended by
18 a creditor under an agreement in which

19 (A) the creditor reasonably contemplates repeated transactions;

20 (B) the creditor imposes a periodic finance charge on an
21 outstanding unpaid balance; and

22 (C) the amount of consumer credit that may be extended to the
23 debtor during the term of the agreement, up to any limit set by the creditor, is
24 generally made available to the extent that any outstanding balance is repaid;

25 (15) "rule of anticipation" means a refund method that results in
26 refunds equal to the premium cost of scheduled benefits subsequent to the date of
27 cancellation or termination, computed at the schedule of premium rates in effect on the
28 date of issue.

29 * Sec. 18. AS 21.57.110 and 21.57.170 are repealed.

30 * Sec. 19. TRANSITION. This Act applies to a policy of insurance that is entered into
31 or renewed on or after the effective date of this Act.

1

* Sec. 20. This Act takes effect October 1, 1995.

AMENDMENT NO. 2 TO CS SB 53 (JUD)

By Representative Pete Kott

Incorporate into CS HB 53(JUD), at an appropriate place, the contents of the attached draft Senate Bill (9-LS1114/A).

Amend the title accordingly.

HOUSE COMMITTEE REPORT

(7) Date Referred: April 21, 1995 FURTHER REFERRALS: Judiciary

Date of Committee Action: _____

The LABOR AND COMMERCE Committee considered: CSSB 53(JUD)

CS FOR SENATE BILL NO. 53(JUD) OMNIBUS INSURANCE REFORM

"An Act relating to regulation of risk retention or purchasing groups; to preemption of the regulation of insurance agents and insurance producers; to the general powers of the director of the division of insurance; to insurance examination hearings; to insurer certificates of authority; to annual and quarterly statements, taxes, and prohibited acts of insurers; to reinsurance credit allowed a domestic insurer; to risk based capital for insurers; to insurer assets and liabilities; to insurer investments; to insurance holding companies; to regulation, licensing, examination, and trade practices of insurance producers, managing general agents, third-party administrators, brokers, independent adjusters, and reinsurance intermediary managers; to surplus lines insurance; **recommends it be replaced**

with the following committee substitute CS SB 53 (LEC) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)
 fiscal note(s) _____ fiscal note(s) _____
 zero fiscal note(s) _____ zero fiscal note(s) CED

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Kahana</i>	✓			
<i>Jerry Schneider</i>			✓	
<i>John J. ...</i>			✓	
<i>William ...</i>			✓	
<i>James ...</i>				✓
<i>Paul ...</i>	✓			

CHAIR'S SIGNATURE *Paul ...*

S B

5 5

02/27/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

15:04:13

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:50280 SCHEDULED FOR:02/27/95 15:00 TO 17:00

FOR:ANC

PUBLIC HEARING

HOUSE LABOR & COMMERCE

LOCATION: ANCHORAGE

55

LEVIN

O'LEARY

ANC POLICE CHIEFTESTIFY

02/27/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

15:08:16

PARTICIPANT LIST (TESTIFIERS ONLY)

BY:MAT

TCN:50280 SCHEDULED FOR:02/27/95 15:00 TO 17:00

FOR:MAT

PUBLIC HEARING

HOUSE LABOR & COMMERCE

LOCATION: MATSU

SB 55

MR KEVIN KOCHLEIN

TESTIFY

SB 55

MR LARRY TEAGUE

TESTIFY

HB 146

MR STAN HOOLEY

TESTIFY

02/27/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

16:22:23

PARTICIPANT LIST (TESTIFIERS ONLY)

BY:MAT

TCN:50280 SCHEDULED FOR:02/27/95 15:00 TO 17:00

FOR:MAT

PUBLIC HEARING

HOUSE LABOR & COMMERCE

LOCATION ~~CHATS~~

SB 55 MR KEVIN KOCHLEIN TESTIFY

SB 55 MR LARRY TEAGUE TESTIFY

HB 146 MR STAN HOOLEY TESTIFY

~~HB 146 MS NATALIE NORRIS TESTIFY~~

~~HB 146 MR EARL NORRIS TESTIFY~~

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

P O BOX 5800
FORT RICHARDSON, AK 99505-5800
PHONE: (907) 428-6003

*DEPARTMENT OF MILITARY
AND VETERANS AFFAIRS*

OFFICE OF THE COMMISSIONER

Senator John Torgerson
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

February 28, 1995

Dear Senator Torgerson:

This letter will confirm the testimony on SB55 offered by Jeff Morrison of this department to the House labor and Commerce Committee on February 27, 1995.

My previous letter to Representative Kay Brown of February 2, 1995 forwarded a letter to Representative Brown from Mr. Jim Harpring of our department. The purpose of Mr. Harpring's letter was to offer technical information on the statewide enhanced 911 system at the personal request of Representative Brown. Mr. Harpring is a recognized expert in the field of emergency communications and we are pleased to forward his observations on the possibility of a statewide E-911 system. Several of the issues mentioned by Mr. Harpring do deserve further discussion, and some resolution may be possible without legislative action. It is our understanding that some of the issues raised in Mr. Harpring's letter have already been discussed at the legislative level. The issue of funding, while addressed by Mr. Harpring is an idea, and is not a matter for DMVA to take a position on.

The observations and recommendations in Mr. Harpring's letter were intended to address the existing situation concerning a statewide E-911 system, and to simply raise issues for discussion. My forwarding of his letter was not intended to make any specific recommendations concerning changes desired to SB55. The Department of Military and Veterans Affairs does not oppose SB55. DMVA continues to support the concept of a statewide E-911 system, and will be pleased to work with you or any other legislators to address ways to implement such a system.

February 28, 1995
Letter to Senator John Torgerson
Page 2

Please feel free to contact me or my Deputy Commissioner, Roger Schnell, if you wish to discuss this issue further.

Sincerely,

Jake Lestenkof
Commissioner

cc: Representative Kay Brown
Representative Pete Kott, Chair, House Labor and Commerce
Committee
Pat Pourchot, Legislative Director, Office of the Governor
Erv Martin, Director, Division of Emergency Services, DMVA
Jeff Morrison, Director, Administrative and Support Services, DMVA
Jim Harpring, Division of Emergency Services

Alaska State Legislature

SENATOR
JOHN TORGERSON
DISTRICT D



Senate

SESSION ADDRESS
STATE CAPITOL, ROOM 427
JUNEAU, ALASKA 99801-1182
(907) 465-2828
FAX (907) 465-4779

DATE: February 9, 1995

RE: Bill Analysis : Senate Bill 55 - Enhanced 911 systems

This bill repeals three sections of 1993 SLA CH. 57 - the enhanced 911 systems legislation, (Sections 5, 6, and 8.)

Section 5: the language shown below in bold will be deleted on July 1, 1996.

A municipality may, by resolution or ordinance, elect to provide an enhanced 911 system at public safety answering points and may purchase or lease the enhanced 911 equipment or service required to establish or maintain an enhanced 911 system at public safety answering points from a local exchange telephone company or other qualified vendor, and may impose a 911 surcharge, in an amount to be determined by the municipality, on all local exchange access lines in the area to be served by the enhanced 911 system. For a municipality with a population of 100,000 or more, the surcharge may not exceed 50 cents per month per local exchange access line. For a municipality with fewer than 100,000 people, the surcharge may not exceed 75 cents per month per local exchange access lines. For a municipality with fewer than 100,000 people, the surcharge may not exceed 75 cents per month per local exchange access line . The area served by a system may be all of a city, all of a unified municipality, or all or part of the area within a borough and may include the extraterritorial jurisdiction of a municipality in accordance with AS 29.35.020.

The governing body of a municipality shall review the 911 surcharge annually to determine whether the current level of the surcharge is adequate, excessive, or insufficient to meet anticipated enhanced 911 system needs. The municipality may only use the surcharge for the enhanced 911 system.

SB 55 REPEALS THIS DELAYED AMENDMENT, SO THAT THE LANGUAGE STAYS.

Section 6: There were six subsections in the original legislation which will be repealed in their entirety on July 1, 1996.

Five of the subsections are in AS 29.35.131, subsections (b), (c), (d), (e), (f), as shown in the attached copy of 1993 SLA CH. 57.

Section 6 also repealed AS 29.35.137 (4), a definition which also is shown in the attached copy of the SLA.

SB 55 REPEALS THE DELAYED AMENDMENTS WHICH DELETE THESE SUBSECTIONS ON JULY 1, 1996. THE EFFECT OF SB 55 IS THAT THESE SECTIONS WOULD STILL BE LAW.

(3) Section 8 of the original legislation states that Sections 5 and 6 of the legislation (the sections making the delayed amendments to (a) and deleting (b) thru (f)) take effect July 1, 1996. This is actually the "sunset" provision of the legislation.

SB 55 REPEALS THIS SECTION WITH THE SUNSET TIME FRAME OF JULY 1, 1996, WHICH IN TURN IMPLEMENTS THE DELAYED AMENDMENTS OF SECTIONS 5 AND 6 OF THE LEGISLATION.

The effect of SB 55 then, is to repeal the language which, in effect, "repealed" certain portions of the enhanced 911 system authorization on July 1, 1996.

Alaska State Legislature

SENATOR
JOHN TORGERSON
DISTRICT D

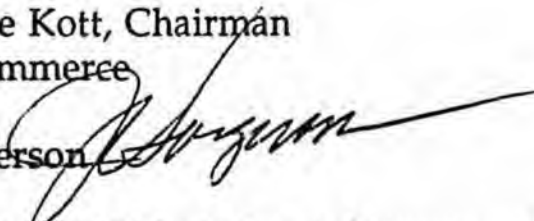


SESSION ADDRESS
STATE CAPITOL, ROOM 427
JUNEAU, ALASKA 99801-1182
(907) 465-2828
FAX (907) 465-4779

Senate

DATE: February 10, 1995

TO: Representative Pete Kott, Chairman
House Labor & Commerce

FROM: Senator John Torgerson 

RE: Scheduling of Senate Bill 55 in Labor & Commerce Committee

I would appreciate your scheduling Senate bill 55 at the earliest opportunity. This bill repeals the delayed Amendment provisions of the enhanced 911 emergency reporting systems, as enacted in 1993.

The legislation adopted in 1993 (SB 97) was supported by many groups and organizations across Alaska, including the Alaska Fire Chiefs Association, the Anchorage Police Department, the Anchorage Telephone Utility, and the Kenai Peninsula Borough.

The 1993 legislation (SB 97) was amended in the House so that the surcharge provisions of the bill would sunset in three years - July 1, 1996. As I understand it, the amendment was intended to allow for a state wide planning effort by the Telecommunications Information Council (TIC). (The amendment was also supported by the sponsor, who viewed it as a "pilot program" and the sunset allowed for review of the value of the "program".)

My review of the minutes and packets of the TIC (and it's appointed Emergency Communications Task Group - ECTG) indicates that they are reviewing the possibility of federal and/or state funding for enhanced 911 systems.

Page Two
Representative Pete Kott
February 10, 1995: SB 55

At this point in time, I suggest that a funding source for such a state wide system is remote. But at the same time, there are enhanced 911 systems in the state which are operating, and need to be assured of the ability to assess a surcharge to ensure those operations.

Those systems have proven to be a viable and critical service. In my district, the Kenai Peninsula Borough, we have put the system in place and it is well received and supported by the public.

This bill, SB 55, removes the "sunset" provisions of the 1993 legislation. The effect of this is to allow municipalities to continue to impose a surcharge for 911 services after July 1, 1996, which in turns provides for this critical service in those areas which employ the enhanced 911 service.

Alaska State Legislature


SENATOR
JOHN TORGERSON
DISTRICT D



Senate

SESSION ADDRESS
STATE CAPITOL, ROOM 427
JUNEAU, ALASKA 99801-1182
(907) 465-2828
FAX (907) 465-4779

TRANSMITTAL INFORMATION

DATE: February 10, 1995
BY: Mary Jackson for Senator Torgerson 
RE: SB 55 - HOUSE LABOR AND COMMERCE COMMITTEE

- (1) Memorandum requesting scheduling
- (2) Bill Analysis
- (3) Fiscal Notes:
 - Commerce and Economic Development
 - Public Safety
 - Health and Social Services

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF MILITARY
AND VETERANS AFFAIRS**

P.O. BOX 5800
FORT RICHARDSON, AK 99505-5800
PHONE: (907) 428-6000

OFFICE OF THE COMMTSSIONER

February 2, 1995

The Honorable Kay Brown
Alaska House of Representatives
Room 517
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Brown:

Please find enclosed Mr. Jim Harpring's recommendations concerning the current Enhanced 9-1-1 legislation you requested.

As previously stated by Commissioner Cox, DMVA is very supportive of the statewide 911 concept. Through legislative initiatives we have the opportunity to revisit SB-97 and attempt to address some of language that will make this concept more attractive to the rural communities.

If DMVA can be of any further assistance, please feel free to contact me or Mr. Ervin Paul Martin, Director, DES, concerning the statewide 911 concept.

Sincerely,



Jake Lestenkof
Commissioner

JL:JH:lf
Enclosure: as stated

STATE OF ALASKA

**DEPARTMENT OF MILITARY
AND VETERANS AFFAIRS**
ALASKA DIVISION OF EMERGENCY SERVICES

TONY KNOWLES, GOVERNOR

PO BOX 5750
FT. RICHARDSON, AK 99505-5750
PHONE: (907) 478-7000

February 2, 1995

The Honorable Kay Brown
Alaska House of Representatives
Room 517
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Brown:

I appreciate the opportunity to comment on the current Enhanced 9-1-1 (E-911) legislation and provide some options for consideration to improve it.

By examining the background history of the legislation it is immediately apparent that there is a definite need for this service and that the current legislation was long overdue. My understanding of the background history is as follows:

Background History:

As you may remember, the original E-911 legislation was necessary because the limited basic 911 (B-911) service available in a few of the larger urban areas did not adequately support their emergency response needs.

The original E-911 proposal was drafted by the Anchorage Telephone Utility (ATU) in 1990-1991 because ATU's six year old B-911 Alive Corporation System could not be maintained. In fact, the Alive Corporation went out of business shortly after they installed the B-911 system for the Municipality of Anchorage (MOA).

Essentially, in support of the original legislation, ATU proposed modification of their DMS100 Centrex switching concept to accommodate an E-911 service. They proposed special Automatic Call Distribution (ACD) instruments with Video Display Terminals (VDT) be installed at the Anchorage Police Department (APD), Anchorage Fire Department (AFD) and the Alaska State Trooper (AST) Dispatch Centers. APD would act as the primary Public Safety Answering Point (PSAP) and AFD and AST dispatch centers as secondary PSAPs or (SPSAPs). Under ATU's proposal all E-911 calls for the Anchorage area would first be routed to APD for screening and routing. ATU proposed paying for this upgrade via

February 2, 1995

Page 2

a monthly phone line surcharge because at that time 37 other states were funding their E-911 overhead mandates using this methodology.

Following ATUs original proposal, they sought support from DMVA for the E-911 concept described above. Senator Pierce supported ATU's first initiative; however, she did not introduce the legislation until 1992. A total of three bills, SB-97, HB-166 and HB-142, were introduced in support of E-911.

In May 1992 Commissioner Cox authored a letter to Mr. Kevin O'Leary, Chief of Police, MOA, outlining the Department's concerns with the E-911 proposed legislation. In essence, his concerns and reservations were: (a) funding of the system; (b) lack of mandated standardization amongst common carriers and local telephone exchange companies; (c) lack of addressing an overall concept for PSAPs and SPSAPs, and; (d) standardization of the programming protocol. While most of these concerns were basically workable, the single major point of concern was the lack of specificity in the legislation on exactly how the State would transition to a statewide E-911 system. The transition to a statewide concept was never addressed and the legislation was passed.

In essence, the current legislation is extremely attractive to the urban areas. It is funding neutral from the State appropriations perspective, it provides a service that the majority of the populous desires and, because of technology, i.e., the Automatic Number Identification (ANI) and Automatic Location Identification (ALI), complements all facets of emergency service response. Although the initial legislation is functional, my concerns are that the legislation does not address the following:

- No provisions are provided for a statewide E-911 service. Since there are no provisions, each community can design their own E-911 protocol. This is commendable from a legislative perspective; however, what happens when, following a disaster, a community's E-911 service is pre-empted and all E-911 calls go unanswered because of the lack of a statewide standardized SPSAP transition protocol.

RECOMMENDATION: Amend the current legislation to provide for a long range plan for a statewide E-911 service.

- There are no incentives for small independent telephone exchanges supporting rural areas to implement the service. Since the payment of costs for E-911 services is basically left to the local jurisdictions, the primary emphasis for evoking an E-911 service is, by default, an urban responsibility.

February 2, 1995
Page 3

Only the urban areas can currently support the high start-up cost and acquire the needed revenue for the reoccurring cost associated with this service. Currently, the MOA and the Kenai Peninsula Borough (KPB) have implemented the E-911 service. The Matanuska-Susitna Borough (MSB) and the Fairbanks North Star Borough's (FNSB) are in the process of implementing the service. These communities are all supported by large urban based populations, have basically only a few local exchange common carrier service providers, and have centrally controlled emergency service response.

In essence, the urban areas implementing the E-911 concept is a self fulfilling prophecy. A need is identified, funds are acquired, the system is implemented, it operates as designed, and a service is rendered. However, no one has taken the initiative to question the requirement for an overall statewide response -- especially as it affects the small rural areas. What happens if an emergency call originates immediately outside the E-911 exchange area or the rural system's B-911 system is pre-empted because of equipment failure and no one answers the phone when you request an emergency response.

The situation experienced with the B-911 service at Healy, AK in September 1993 should be an indication of how vulnerable the State is when a statewide E-911/911 concept has not been correctly addressed and provisions made to accommodate the citizens and tourist needs.

As you may remember, Golden Valley Electric (GVE) was dispatching for the various emergency services in the Healy area prior to 1993. After review of this policy by GVE's legal counsel, GVE elected not to continue to assume the responsibilities for B-911 dispatch in this area of the State. After discussion with the Division of Telecommunications (DIS), a determination was made that dispatch personnel at the University of Fairbanks (UAF) would assume this responsibility and DIS would back-hall the 911 traffic from the Healy area via the State microwave to UAF. Mr. Libby, Deputy Commissioner, DOA, objected to this concept because no Department had budgeted for this additional DIS communications responsibility.

Again, if a statewide 911 plan had been available, the meetings and agreements necessitated by the Healy incident may have been averted.

Compounding this rural service funding issue is the overlapping of emergency response service areas and the overlapping of services provided by various tariff local exchange providers.

February 2, 1995
Page 4

Currently, emergency response jurisdictions overlap local telephone exchange tariff areas. In fact, the MOA and the KPB have geographical areas where the ALI and ANI information must be provided to another emergency service response provider after the emergency information is initially provided to their central dispatch.

In the KPB alone there are five local telephone exchange providers inputting into the E-911 system which in-turn supports numerous types of emergency response providers. Some of these providers are contacted via individual pager systems, i.e., small rural volunteer fire departments, some are contacted directly from a central dispatch location via VHF base stations and repeaters, while others use the State paging system.

When the MSB and FNSB's implement their E-911 concept, they will also have to deal with this overlapping jurisdictional responsibility.

RECOMMENDATION: Amend the current legislation to allow for a portion of all E-911 funds generated from all jurisdictional areas to be placed in a central escrow account. Administration of the account would be maintained by an E-911 Committee. The Committee would be chaired by one of the Departments having emergency response accountability. The revenue could then be used by rural communities as "seed money" to implement their E-911 requirements and possibly an E-911 service. These communities could only borrow from the account based upon a proposal for basic or enhanced 9-1-1 service. The funds distributed would be via a non interest bearing State loan to the community.

The E-911 Committee members could be selected from the communities that have already implemented an E-911 service, from the Legislature and from commercial communications providers.

After reviewing the source funding for the communities that have implemented the E-911 service, I feel that, after implementing their service, these communities could afford to divert 8-15 percent of their 911 revenue into this account. This funding transition could take place within three to four years after the initial service was operational and the cost stabilized.

Standardization of equipment is not addressed in the current legislation. I do not endorse a sole source procurement concept to standardize the interface equipment amongst the 25 plus local exchange carriers. I do endorse the existing standards specified by committees such as Associated Public-Safety Communications Officers (APCO) 911 Standards, National Association of State 911 Administrators (NASNA) and

February 2, 1995
Page 5

the 1992 Americans with Disabilities Act (ADA)/Telecommunications Devices for the Deaf (TDD). Through a statewide standardization of terminal equipment and uniformity of the ALI/ANI internal protocols for the PBX/Centrex equipment, all citizens would benefit.

RECOMMENDATION: Establish a requirement that E-911 systems be mutually complementary in their ability to reroute emergency information between existing and upgraded Centrex and PBX systems.

- The current legislation does not address any fiduciary oversight of the funds generated as a result of the revenue acquired from this service. In fact, the current legislation is so vague, that cost normally associated with obtaining and maintaining the services are left to the discretion of the local jurisdiction. The APUC does not regulate this service, cap the cost, nor, are they in any way involved in the charges passed on to the E-911 service provider by the local exchange carrier.

As an example, the Kenai Borough has been assessed a yearly reoccurring cost of approximately \$46,600 by their local telephone exchange provider. This "access line update charge" is for the updating the ALI and ANI information. Is this a reasonable charge? Under the current legislation it is because no authority is empowered to challenge these costs.

Additionally, how much revenue is required to maintain an E-911 system after it is fully operational? The current legislation fails to mandate or provide guidance for audit of the system. Nor does it provide for a public record detailing the operational cost; therefore, over a period of time, the revenues collected to support the service may possibly be viewed as discretionary. In fact, the only reference to audit of the E-911 surcharge addresses the, "... remittance of the 911 surcharge." ("The municipality may, at its own expense, require an annual audit of a local exchange telephone company's books and records concerning the collection and remittance of the 911 surcharge".)

RECOMMENDATION: Require the APUC to regulate and audit the cost associated with the revenues generated and costs incurred to maintain the E-911 service.

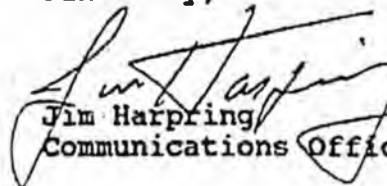
Since Alaska's E-911 legislation was modeled after New Mexico's E-911, I feel the State could learn from their initiative. Oversight of cost was addressed in their legislation.

February 2, 1995
Page 6

As I have discussed previously with you, the need for the E-911 service is absolutely necessary. However, hearings should be scheduled to address these and possibly other concerns. The current legislation is a start, but with any initiative of this magnitude, change is inevitable. Since this legislation affects each and everyone of us on a daily basis, I encourage you to provide the necessary forum for public comment.

If I can be of any further assistance please feel free to contact me at (907) 428-7011.

Sincerely,



Jim Harpring
Communications Officer

JH:lf

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 55

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An act repealing the sunset of the enhanced BRU: State Health Services
911 emergency report system Component: EMS Training & Licensing
 Sponsor: Torgersen COMPONENT SERIAL NO. 297
 Requestor: Senate L&C See also (SN#): _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

--	--	--	--	--	--	--

CHANGES IN REVENUES

--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other (please specify)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY95) cost: 0.0

ANALYSIS: Attach a separate page if necessary

This bill repeals the sunset clause of the 1993 Legislation which enabled cities and boroughs to collect surcharges on telephone bills to pay for the establishment, funding, use, operation and maintenance of enhanced 911 emergency systems. There is no fiscal impact on the state for this tax collection.

Prepared by: Peter M. Nakamura, MD, MPH *PMN* Phone: (907) 465-3090
 Division: Public Health Date: 01/31/95
 Approved by Commissioner: Karen Perdue, Commissioner Date: 2/1/95
 Agency: Department of Health & Social Services

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

. FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 55

Revision Date: _____
Title: "An Act repealing the sunset of the enhanced 911 emergency reporting systems."
Sponsor: Senator Torgerson
Requestor: _____ 1

Department Affected: Commerce and Economic Development
BRU: Alaska Public Utilities Commission
Component: _____
COMPONENT SERIAL NO. 364

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 95) cost: \$ 0

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.)

Prepared by: Robert A. Lohr, Executive Director
Division: Alaska Public Utilities Commission
Approved by Commissioner: William L. Hensley *William L. Hensley*
Agency: Commerce and Economic Development

Phone: 276-6222
Date: 1/27/95
Date: 1/27/95

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
ive Office

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO: SB 55

Revision Date: _____ Dept. Affected: Public Safety
 Title: Repeal Sunset of Enhanced 911 System DPS Statewide Support
 Component: Commissioner's Office
 Sponsor: Torgerson
 Requestor: (S) Labor and Commerce COMPONENT SERIAL NO. 0523

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
<small>Revenue Code</small>						

FUNDING: (Thousands of Dollars)


1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 95) impact: \$ _____

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.)
 No significant impact is anticipated to the department.

Prepared By: Lee Ann Lucas, Special Assistant to the Commissioner Phone: 465-4322
 Division: Commissioner's Office Date: 1/30/95
 Approved by Commissioner:  Date: 1/30/95
 Agency: Ronald L. Otte, Dept. of Public Safety

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office



Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1000

February 15, 1995

RECEIVED

FEB 21 1995

Ans'd. *MS*

The Honorable John Torgerson
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Senator Torgerson,

I am writing to you to express my appreciation for your efforts in introducing Senate Bill No. 55, which repeals certain sunset provisions of enhanced 911 legislation passed by the Alaska Legislature in 1993.

There is perhaps no more important service government can provide its citizens than emergency medical services and basic public safety reporting systems. Senate Bill 55 allows local municipalities around Alaska to continue to provide enhanced 911 capabilities not only in the development and installation of these systems, but most importantly the yearly operational costs of these systems. The Fairbanks North Star Borough appreciates your hard work and efforts on our behalf and on behalf of all municipalities in Alaska.

With kind personal regards, I am

Sincerely yours,

Jim Sampson
Mayor

JS:rlf

cc: Do: Gilman, Mayor, Kenai Peninsula Borough
Kevin Ritchie, Executive Director, Alaska Municipal League

Not Working Is Still The True Definition of Disability

by Fritz Rumpel

Whatever else the ADA may have done, and what it may do in the future, it does not seem, as yet, to have resulted in many new jobs for Americans with disabilities. So said Humphrey Taylor, Chairman and CEO of Louis Harris and Associates, at a press briefing on July 21 to discuss the results of its latest survey of Americans with disabilities. The survey was commissioned by the National Organization on Disability (N.O.D.)

It was the Harris Survey of 1986 that helped focus the attention of the nation and the Congress on the quality of lives of Americans with disabilities, their financial and social status, their lifestyles, their needs, their problems, and their attitudes. The memorable phrase coined by the authors of that study was "not working is the true definition of disability." Eight years later, that observation still holds true.

As was true in 1986, two-thirds of Americans with disabilities between the ages of 16 and are not working. Seventy-nine percent (up from 66%) indicate they would prefer to work. Among those with such a preference, four in ten (42%) report that they would be able to work.

The most important reasons why working age adults with disabilities are not working (or not working full-time) are:

- Their disability or health problem severely limits what they can do (81% consider this is an important reason).
- They need medical treatment for their disability or health problem (58%).

- Employers won't recognize that they are capable of doing a full-time job (40%).
- They think no full-time work is available in their line or work or they can't find it (35%).
- They don't have the skills, education or training needed to get full-time jobs (32%).
- They would risk losing benefits or insurance payments (31%).
- They can't get affordable, convenient or accessible transportation to/from work or housing near work (24%).
- They need a personal assistant to help them get to work, or to do their work (24%).
- They need special equipment or devices to do their work, talk or hear other workers, or get around (16%).

Of those who are working, 52% said that they found their job through personal contacts, 13% through want ads, 5% through regular employment services, 4% through special programs for people with disabilities, and 3% through college training or training program placement services.

Three in ten working age adults believe they have encountered job discrimination due to their disability or health problem. This represents an increase from 1986, when one in four said they had been the subject of job discrimination. The most common discrimination is being refused a job due to disability, reported by more than six in ten adults who have encountered discrimination. One-third have been given less responsibility than their co-workers.

However, the overall survey did find some bright spots. "For whatever combination of reasons, societal or personal, objective or subjective," Humphrey Taylor said, "there is a strong sense that things have gotten much for people with disabilities and that they will go on improving." Fully 60% say that, in general, "things have changed" for the better for Americans with disabilities in the last ten years. Only 15% say things have gotten worse.

More specifically, most people with disabilities, when asked about particular changes, see these improvements over the last four years:

- 75% see better access to public facilities like restaurants, theaters, stores and museums.
- 63% see improved public attitudes toward people with disabilities.
- 63% see improvements in their quality of life.
- 60% see improved access to public transportation.
- 59% and 56%, respectively, see improvements in the portrayal of people with disabilities by the media and in advertising.

Perhaps the single most encouraging finding in the survey, according to Mr. Taylor, is that "people with disabilities are making major gains in education, even if they still compare unfavorably with other Americans." Since 1986, the proportion of people with disabilities who did not complete high school education has fallen from 40% to 25%, while those with at

least some college education has risen from 29% to 44%.

Another significant finding of the survey is that there is a growing sense among Americans with disabilities -- a very heterogeneous group -- of a "common identity," Mr. Taylor noted. In 1986 40% said they felt a somewhat (20%) or very (20%) strong sense of identity with other people with disabilities. That figure has risen to 54%.

Alan Retch, President of N.O.D., stated at the briefing that this growing group identity was turning the disability community into "an awakening giant, struggling more than others to take those first few steps. What began as the vision of a disparate few a quarter century ago has become a cause for millions of disabled persons and their families. Full and equal participation in American life is their goal and will remain so well into the next century."

Copies of the *N.O.D./Harris Survey of Americans with Disabilities* are available for \$95.00 (\$75.00 for disability groups). A summary and commentary on the report is available for \$30.00. Contact: National Organization on Disability, 910 16th Street, NW, Washington, DC 20006; (202) 293-1944 (Voice); (202) 293-5968 (TDD).



Inside Disability Statistics -- Private Sources

by Arthur Frontczak

The United States government collects a wide range of statistics on its citizens with disabilities. Although not as complete as many would like, this data provides a good overview of the 49 million Americans who have a disability. Our last issue of *In the Mainstream* examined many governmental sources of disability statistics ("*Inside Disability Statistics - Government Sources*," July/August 1994). Four regular national surveys were cited as well as various federal program reports. The universe of statistical knowledge on persons with disabilities, however, extends well beyond this. An impressive array of privately conducted studies exist and play a unique role in understanding disability in America.

DIFFERENCES, PUBLIC VS. PRIVATE

Characteristic of government data collection efforts is the Census Bureau's *Current Population Survey* (CPS). This nationwide, monthly survey collects economic information on, among other things, work disability. The collection effort is broad, is conducted regularly, and uses concrete quantitative measures (working days lost, wages earned, etc.).

Characteristic of private data collection efforts is the *Baseline Study to Determine Business' Attitudes, Awareness, and Reaction to the Americans with Disabilities Act*. Conducted by the Gallup Organization for the Electronic Industries Foundation, this national survey is irregular -- was conducted once in 1992 and again at an unknown point in the future -- and contains many qualitative

measures (opinion polls, what people think, etc.). That it not to say that private surveys gather only "soft," opinion-related data. Many important economic and demographic findings are credited to private sources. But with so many "hard-data" government surveys occurring every year, private surveys tend to cover areas the government does not.

These examples illustrate typical differences between government and private sector disability statistics. In form, public surveys measure quantitative factors while private studies focus on both quantitative and qualitative elements. In frequency, government information comes out like clockwork while private efforts appear irregularly. Private information therefore plays a unique role in understanding disability. Their irregular but in-depth observations provide a window into people's attitudes, beliefs, and perceptions on the subject of disability.

MAJOR STUDIES

Some of the best known and most frequently published disability survey organizations are listed below. This list is by no means comprehensive. But most major recurring studies are shown so that comparisons with past efforts can be made. Phone numbers and addresses are given so that you may contact the survey sources directly with questions.

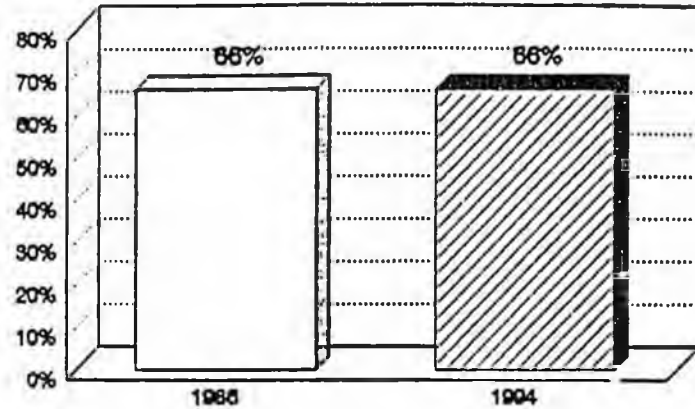
E.I. du Pont de Nemours and Company
800/672-7200
Attn: G51932, P.O. Box 80029
Wilmington, DE 19880-0029

sample group of persons with disabilities, a control group of 1,115 adults without disabilities was gathered by Lou Harris. So 1994 poll results can be compared between persons with and without disabilities.

Completed in March of 1994, the survey reveals a number of interesting findings.

1) The jobless rate of persons with disabilities did not improve; holding constant from 1986 to 1994 at 66%.

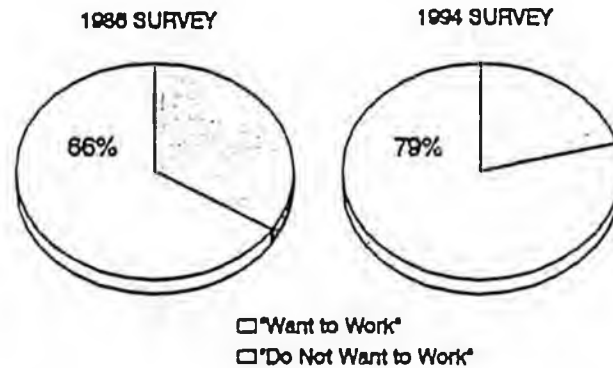
Figure #1 – Adults With Disabilities With No Job
Persons With Disabilities 16-64 Years of Age



Source: N.O.D. Harris Survey of Americans With Disabilities, 1994

2) Among jobless persons with disabilities, an increasing majority say they want to work -- grew from 66% in 1986 to 78% in 1994.

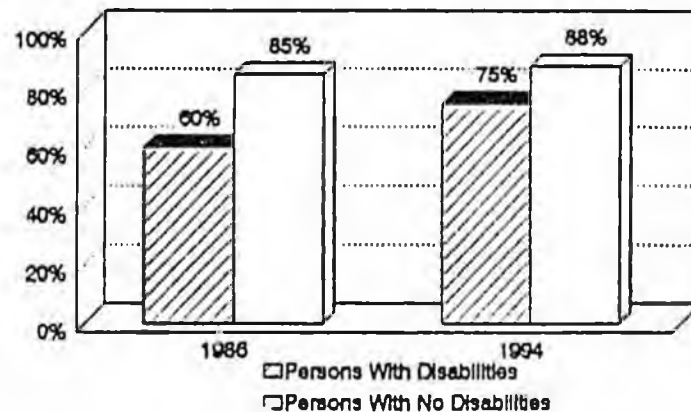
Figure #2 – % Jobless Adults with Disabilities Who Want to Work
Persons With Disabilities 16-64 Years of Age



Source: N.O.D. Harris Survey of Americans With Disabilities, 1994

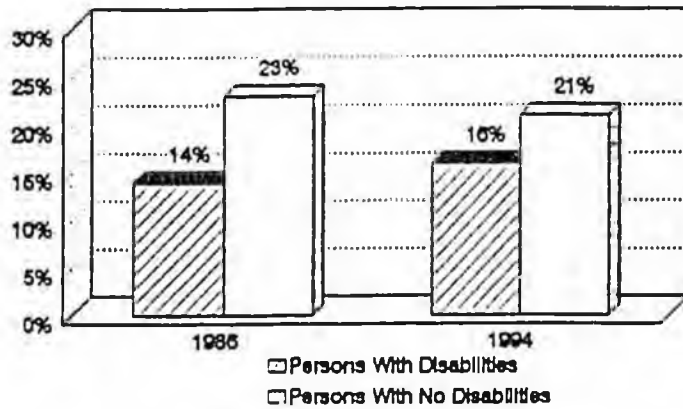
3) Persons with disabilities are better educated now than in 1986 with a high school graduation rate of 75%. Compared with non-disabled persons however, persons with disabilities are today twice as likely to have no diploma (25%) than everyone else (12%).

Figure #3 – % Adults Completing High School
All Persons 16-64 Years of Age



Source: N.O.D. Harris Survey of Americans With Disabilities, 1994

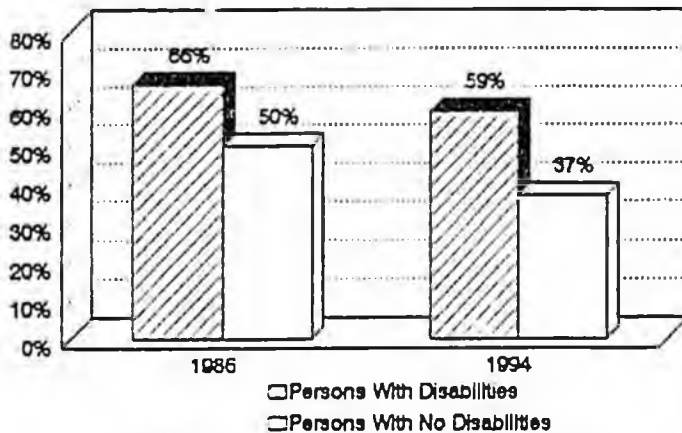
Figure #4 – Adults Completing College
All Persons 16-64 Years of Age



Source: N.O.D./Harris Survey of Americans With Disabilities, 1994

4) An increase in college educated persons with disabilities reinforces a positive trend of strong educational improvement.

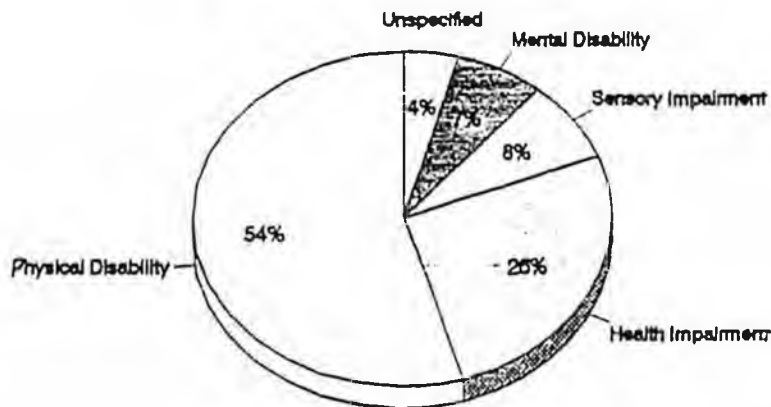
Figure #5 – Household Income of \$25,000 or Less
All Persons 16-64 Years of Age



Source: N.O.D./Harris Survey of Americans With Disabilities, 1994

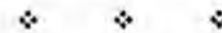
5) Despite clear educational gains, household income of persons with disabilities showed mixed results. Overall, the percentage of persons with disabilities earning annual incomes under \$25,000 has dropped significantly. But this decrease did not keep pace with that of the general population.

Figure #6 – Disability Profile of Respondents
1994 Survey Respondents With Disabilities



Source: N.O.D./Harris Survey of Americans With Disabilities, 1994

6) A wide variety of disabling conditions were reported with physical disabilities comprising a majority. Further, 53% of respondents indicated the onset of their disability did not occur until after the age of 39.



S B

7 8

Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CHAIRMAN
SENATE STATE AFFAIRS COMMITTEE

MEMBER
FINANCE COMMITTEE
RULES COMMITTEE



FAIRBANKS

DENALI BANK BUILDING
119 N. CUSHMAN, SUITE 201
FAIRBANKS, ALASKA 99701
(907) 452-7885/7886

SESSION ADDRESS

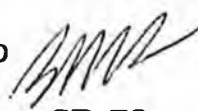
STATE CAPITOL, ROOM 514
JUNEAU, ALASKA 99801-1192
(907) 465-3004/4921

Senate

MEMORANDUM

DATE: March 9, 1995

TO: Representative Pete Kott, Chairman
House Labor & Commerce Committee

FROM: Senator Bert Sharp 

RE: Request for hearing - SB 78

I respectfully request that SB 78, "An Act related to the authority of certain beverage dispensary licensees to stock alcoholic beverages in guest rooms and prohibiting certain room rentals for the purpose of providing alcoholic beverages to a person under 21 years of age," be scheduled before the House Labor & Commerce Committee at your earliest convenience. Thank you.



REPRESENTING
GOLDEN HEART
OF ALASKA

North American Asset Management, Inc.
PO Box 73440
Fairbanks, Alaska 99701

907-369-4111
907-369-4112 Fax

February 11, 1995

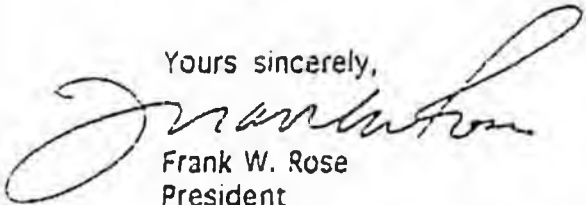
Senator Bert Sharp
State Capital
MS 3101
Juneau, AK 99801-1182

Re: Mini Bar Legislation

I am sending this letter in support of the recently submitted "Mini-Bar" legislation introduced by yourself and Rep. Kott. I believe this is important legislation for the hospitality business. It allows us to provide a service that many facilities Outside provide to vacation and business travelers. In fact, it is becoming more of an expected amenity as opposed to something not normally provided. New Mini-Bar systems have a number of features that allow control of time of use, automatic inventory, special key systems, etc. Additionally, statistics show that the primary use of the Mini-Bar is for dispensing snacks and non-alcoholic beverages. The alcoholic beverage sales are important, however, in order to make the system profitable.

I appreciate your efforts in sponsoring this bill and look forward to a successful vote on this legislation.

Yours sincerely,



Frank W. Rose
President
North American Asset Management, Inc.



TUNDRA TOURS, INC.
TOP OF THE WORLD HOTEL
P.O. Box 189 • Barrow, Alaska 99723

Senator Bert Sharp
State Capitol
Juneau, Alaska 99801-1182

February 11, 1995

Dear Senator Sharp;

As a Board Member of the Alaska Hotel & Motel Association we strongly favor SB-78.

Whereas we are responding to the market place.

Whereas Alaska is trying to Catch-up in the area of Amenities offered to the Traveling Public.

Whereas this bill will assist the Industry's bottom line.

Sincerely,

A handwritten signature in cursive script that reads "Terry Latham". The signature is written in dark ink and is positioned above the typed name.

Terry Latham
Board Member
Alaska Hotel & Motel Association



Alaska Hotel & Motel Association

P.O. Box 104900 • Anchorage, AK 99510 • (907) 272-1229 • FAX (907) 265-5146
 Representing Alaska's Finest Hotels, Motels and Inns

February 9, 1995

Board of Directors

Chairman of the Board
 Ralph Nogal
Anchorage Hilton Hotel

President
 Catherine Schultz, CHA
Scenic Station Hotel

Vice-President
 Dennis Lavey, CHA
Days Inn-Anchorage

Southcentral District
 Michio Kobayashi
Alaska Prince Hotel
 Jeff Murphy, CHA
Lands End Resort

Interior District
 Michael Griffin
Fairbanks Princess Hotel
 J. Justin Ricley
Denali Park Resorts
 Frank Rose, CHA
Chena Hot Springs Resort

Southeast District
 Joe Cox
Westmark Shee Atka
 Licha Kelley-King
Westmark Cape Fox
 Gerd Krause
Saranof Hotel
 Glona Chmer
Tides Inn

At-Large
 Don Grancy
Princess Hotels

Past Presidents
 Alan Budani, CROE
The Hotel Captain Cook
 Bill Dugdale, CHA
Westmark Hotel-Anchorage
 Max Lowe, CHA
Regal Alaskan Hotel

Executive Director
 Ron Hewitt, CHA

Senator Bert Sharpe
 Capitol Building
 FAX 465-2070

Dear Senator Sharpe:

I was pleased to hear that you have introduced SB 78, which I like to refer to as the "In Room Refreshment Center" bill. As the president of the Alaska Hotel & Motel Association and the owner of the Days Inn in Anchorage, I wholeheartedly endorse this legislation.

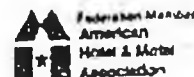
In room Refreshment Centers have become increasingly popular among the more sophisticated traveler of today. Alaska's Hotels need to provide the amenities that our guests have become accustomed too.

Modern Technology has eliminated the concerns about the dispensing of alcoholic beverages. Over 70% of the sales from these units are snack items and soft drinks, and the number one seller in the U.S.A. today is Evian bottled water.

Please let me know if I or the Association can do anything to aid in the passage of this Bill. I plan on attending the teleconference in Anchorage on Tuesday, and hope to have several Hoteliers available in Fairbanks also. Thank You.

Sincerely,

Dennis J. Lavey
 President





REGAL ALASKAN HOTEL

February 10, 1995

Senator Bert Sharp
Fax #465-2070

Dear Senator Sharp:

I am writing this letter in support of SB 78 on the sale of alcohol in hotel rooms. This bill will allow us to give our international and national visitors the standard of service they expect in first class operations throughout the world. A similar version of this bill unanimously passed the House and Senate years ago, unfortunately, it was vetoed by our previous Governor. Myself or a representative of the Regal Alaskan Hotel will be present to testify on all hearings relating to this bill.

Thank you in advance for your support of this bill and the Hotel Motel Association in Alaska.

Sincerely,

Max J. Lowe, CHA
General Manager

MJL:ta

cc: Executive Director, Alaska Hotel Motel Association
Mitchell D. Gravo
Governor Tony Knowles

A REGAL INTERNATIONAL HOTEL

4800 SWENARD ROAD • ANCHORAGE, ALASKA 99517-3236
PHONE 907.243.2300 • RESERVATIONS 800.544.0553 • FAX 907.243.8815



TUNDRA TOURS, INC.
TOP OF THE WORLD HOTEL
P.O. Box 189 • Barrow, Alaska 99723

Pete Kott
State Capitol
Juneau, Alaska 99801-1182

February 15, 1995

Dear Pete Kott:

As a Board Member of the Alaska Hotel & Motel Association we strongly favor SB-78.

Whereas we are responding to the market place.

Whereas Alaska is trying to Catch-up in the area of Amenities offered to the Traveling Public.

Whereas this bill will assist the Industry's bottom line.

Sincerely,

A handwritten signature in cursive script that reads "Terry Latham".

Terry Latham
Board Member
Alaska Hotel & Motel Association

Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CHAIRMAN
SENATE STATE AFFAIRS COMMITTEE

MEMBER
FINANCE COMMITTEE
RULES COMMITTEE

FAIRBANKS

DEVALI BANK BUILDING
119 N. CUSHMAN, SUITE 201
FAIRBANKS, ALASKA 99701
(907) 452-7865, 7886

SESSION ADDRESS

STATE CAPITOL, ROOM 514
JUNEAU, ALASKA 99801-1182
(907) 465-3004 / 4921

Senate

SPONSOR STATEMENT

SB - 78

Senator Bert Sharp

Currently, the Alaska Alcohol Beverage Control Board does not allow alcoholic beverages to be stocked inside hotel or motel rooms.

Senate Bill 78 seeks to authorize the Alcohol Beverage Control Board to allow beverage dispensary license holders the right to allow self serve liquor sales inside hotel and motel rooms. The current plan is to allow alcoholic beverages to be stocked in lockable refrigerators placed in the rooms. Once the motel or hotel staff has determined a registering guest to be at least 21 years of age, a key to the locked unit can be issued along with the room key.

This bill was introduced at the request of the Alaska Hotel and Motel Association and the Alaska Cabaret, Hotel, Restaurant & Retailers Association.

SB 78 should be familiar to many legislators, the 17th Alaska Legislature passed SB 183 (Identical to SB 78) but Governor Hickel vetoed the bill.



REPRESENTING
GOLDEN HEART
OF ALASKA

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 78

Revision Date: _____ Dept. Affected: Revenue
 Title: Alcohol Sales in Hotel Rooms BRU: ABC Board
 Component: ABC Board
 Sponsor: Senator Sharp
 Requester: /SIL&C COMPONENT SERIAL NO. 100

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

The ABC Board maintains a neutral position on this legislation. No additional costs or significant revenue is anticipated with the implementation of SB 78. No significant demand for increased licensure is anticipated.

Prepared by: Bob Baraiko Phone: 465-2312
 Division: Administrative Services Division Date: 2/13/95
 Approved by: _____
 Commissioner: Deborah Voot Date: 2/13/95
 Agency: Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information, call the Governor's Legislative Office

S B

1 3 1

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 131

Revision Date: _____
Title: Investments by Fiduciaries

Department: Commerce and Economic Development
BRU: Banking, Securities and Corporations
Component: Banking, Securities and Corporations

Sponsor: Senate Labor and Commerce
Requestor: House Labor and Commerce

COMPONENT SERIAL NO. 1233

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS

FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director *Willis F. Kirkpatrick* Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 1-29-96
 Approved by Commissioner: William L. Hensley *W. L. Hensley* Date: 1-29-96
 Agency: Commerce and Economic Development

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information, call the Governor's Legislative Office

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 27, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: 2-7-96

The LABOR AND COMMERCE Committee considered:

SB 131

SENATE BILL NO. 131

INVESTMENTS BY FIDUCIARIES

"An Act relating to investments by fiduciaries."

recommends it be replaced with the following committee substitute _____ [] the same title
 [] a new title

[] additional referral to _____ Committee
 [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____

[] fiscal note(s) _____ [] fiscal note(s) _____

zero fiscal note(s) Commerce (BSC) [] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Ann Kelleher</i>			✓	
<i>...</i>	✓			
<i>Jane Kubena</i>	✓			
<i>Suzaly Masek</i>			✓	
<i>...</i>			✓	
<i>Pete Bost</i>			✓	

CHAIR'S SIGNATURE *Pete Bost*

To: Vern Sayles
From: Susan S. Locke
Date: March 20, 1995
Subject: Proposed Changes to the Alaska Code

AS 06.35.010:

The purpose of this proposed code section is to bring current the Alaska Code as it relates to the use of common trust funds. This section would permit an Alaska bank or trust company that is qualified to act as fiduciary in Alaska, or another bank or trust company that is qualified to act as a fiduciary in another state if affiliated with a bank or trust company qualified to act as a fiduciary in Alaska, to establish common trust funds for itself, for itself and others as co-fiduciaries and for affiliated banks and trust companies. In addition, it would make available as a permitted investment the common trust funds established by itself and its affiliates.

Enactment of this statute would more closely mirror the Revised Uniform Common Trust Fund Act which permits affiliate investments in common trust funds. Its purpose is to make available commingled investments on a broader basis, especially to those banks which do not presently maintain their own common trust funds because of the economic requirement of a large pool of readily investible assets necessary to make such commingled investment feasible. Commingling of trust investments is commonly recognized as a cost efficient method of achieving diversification and risk minimization across all fiduciary accounts while maintaining lower expense ratios.

AS 13.90.010

A new section will be added in a new Chapter 90 to provide that fiduciaries may make investments in mutual funds and in proprietary mutual funds. Certain classes of accounts are not authorized to invest in common trust funds and not every common trust fund can mirror a "boutique" need of an account. The use of mutual funds is widely recognized under other states laws. Since the use of funds for which a fiduciary bank or its affiliate serves as an investment adviser raises a conflict of interest question, such a statute permits use of these funds and the ability of the affiliate investment advisor to take a reasonable fee. A substantial body of regulatory law exists to assure that the customer will receive adequate disclosures of the relationship of the fiduciary or affiliate to the proprietary mutual fund.

AS 13.46.110(b)

Section 13.46.110(b) has been amended to allow investments for custodians within the custodial relationship where permitted in the custodians discretion.

AS 13.60.060(b)

Section 13.60.060(b) is similarly amended to expand investments for custodians within the custodial relationship.

Alaska State Legislature

Senator Tim Kelly, Chair
Senator John Torgerson, Vice Chair
Senator Mike Miller
Senator Jim Duncan
Senator Judy Salo



STATE CAPITOL, SUITE 101
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-3822
FAX: (907) 465-3756

SENATE LABOR AND COMMERCE COMMITTEE

716 W. 4TH, SUITE 400
ANCHORAGE, AK 99501-2133
PHONE: (907) 258-8180
FAX: (907) 258-4524

RECEIVED

APR 12 REC'D

Sponsor Statement SB 131

"Relating to investments by fiduciaries."

SB 131 seeks changes to the Alaska Code that will enhance the ability to invest Alaska trust customers money. The changes sought by SB 131 will allow investments in mutual funds and expand usage of common funds.

The involved sections of Alaska law and the changes proposed by SB 131 are outlined below.

AS 06.35.010: The changes to this section will allow an Alaska bank or trust company to use common trust funds that may be established by either itself or its affiliates. This would expand potential investment opportunities for the Alaskan consumer and would bring the current statutes more in line with the Revised Uniform Common Trust Fund Act. Commingling of trust fund investments in common funds is recognized as a cost efficient method of achieving diversification and minimizing risk for all fiduciary accounts while maintaining lower costs for the customer.

AS 13.90.010: This new section will be added to provide that fiduciaries may invest customer funds in mutual funds and in proprietary mutual funds. A proprietary mutual fund is one that is also managed by the fiduciary.

The use of mutual funds is widely recognized under other states' laws. Mutual funds represent an efficient method of achieving diversification, better liquidity, and minimizing risk for fiduciary accounts.

AS 13.46.113(b): This section has been amended to allow investments for custodians within the custodial relationship where permitted in the custodian's discretion.

AS 13.60.060(b): This section is amended to expand investments for custodians within the custodial relationship.

SB 131

The department supports the passage of SB 131. Passage of this bill would bring Alaska in line with Northwest States in terms of common trusts, activity with affiliates, and use of mutual funds.

Section 1 (AS 06.35.010) updates Alaska law to allow the use of common trust established by either itself or its affiliates. In the situation in interstate banking, this will allow the use of an affiliate's trust departments outside the state. These provisions are found in both Washington and Oregon and in line with the Revised Uniform Common Trust Fund Act.

Section 4 (AS 13. New Chapter 90). This will allow the fiduciary the latitude to use defined mutual funds as investments and recognizes that affiliate's proprietary mutual funds are acceptable.

The department endorses the intent of the bill to update Alaska law and provide management the tools to service their trust customers.

The department expects that there will be no additional cost to regulating this industry should this legislation pass.


William L. Hensley, Commissioner

Date: April 18, 1995

AS 06.35.010:

The purpose of this proposed code section is to bring current the Alaska Code as it relates to the use of common trust funds. This section would permit an Alaska bank or trust company that is qualified to act as fiduciary in Alaska, or another bank or trust company that is qualified to act as a fiduciary in another state if affiliated with a bank or trust company qualified to act as a fiduciary in Alaska, to establish common trust funds for itself, for itself and others as co-fiduciaries and for affiliated banks and trust companies. In addition, it would make available as a permitted investment the common trust funds established by itself and its affiliates.

Enactment of this statute would more closely mirror the Revised Uniform Common Trust Fund Act which permits affiliate investments in common trust funds. Its purpose is to make available commingled investments on a broader basis, especially to those banks which do not presently maintain their own common trust funds because of the economic requirement of a large pool of readily investible assets necessary to make such commingled investment feasible. Commingling of trust investments is commonly recognized as a cost efficient method of achieving diversification and risk minimization across all fiduciary accounts while maintaining lower expense ratios.

AS 13.90.010

A new section will be added to a new Chapter 90 to provide that fiduciaries may make investments in mutual funds and in proprietary mutual funds. Certain classes of accounts are not authorized to invest in common trust funds and not every common trust fund can mirror a "boutique" need of an account. The use of mutual funds is widely recognized under other states laws. Since the use of funds for which a fiduciary bank or its affiliate serves as an investment adviser raises a conflict of interest question, such a statute permits use of these funds and the ability of the affiliate investment advisor to take a reasonable fee. A substantial body of regulatory law exists to assure that the customer will receive adequate disclosures of the relationship of the fiduciary or affiliate to the proprietary mutual fund.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 30, 1996

SUBJECT: Sectional Summary of SB 131 (Work Order No. 9-LS0787\F)

TO: Representative Pete Kott
Attn: George Dozier

FROM: 
Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Sec. 06.35.010(a) authorizes certain qualified banks and trust companies to establish common trust funds in order to furnish investments to themselves as fiduciaries, to themselves and others as cofiduciaries, or to their affiliated banks or trust companies as fiduciaries.

Sec. 06.35.010(b) authorizes certain banks and trust companies to invest, as fiduciaries or cofiduciaries, in the common trust funds they establish under (a), the funds that the banks and trust companies hold for investment. The investment must not be prohibited by the instrument or court order that creates the fiduciary relationship. Where cofiduciaries are involved, the banks and trust companies must obtain the consent of their cofiduciaries.

Sec. 06.35.010(c) expressly requires certain banks and trust companies that are not Federal Reserve System members to comply with the law regulating financial institutions in their state of formation when they establish or invest in a common trust fund under (a) - (b).

Sec. 06.35.010(d) authorizes the Department of Commerce and Economic Development to adopt regulations to implement this section.

Sec. 06.35.010(e) defines certain terms for the section.

Section 2. Sec. 13.46.110(b) is amended to make it compatible with the new sec. 13.90.010 added by sec. 4 of this bill. Makes custodians of minors' property subject to the investment provisions of sec. 13.90.010 when dealing with the minors' property.

Representative Pete Kott
January 30, 1996
Page 2

Section 3. Sec. 13.60.060(b) is amended to make it compatible with the new sec. 13.90.010 added by sec. 4 of this bill. Makes custodial trustees subject to the investment provisions of sec. 13.90.010 when dealing with custodial trust property.

Section 4. Adds a new section dealing with investments by fiduciaries.

Sec. 13.90.010(a) authorizes fiduciaries, under certain conditions, to acquire and hold certain securities. These securities are securities of an open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940.

Sec. 13.90.010(b) authorizes a fiduciary, under certain conditions, to invest in and hold obligations of the United States government either directly or in the form of, or as another interest in, an investment company.

Sec. 13.90.010(c) authorizes, under certain conditions, a fiduciary bank or trust company to invest or reinvest in the securities of an investment company even if the fiduciary bank or trust company, or an affiliate, provides services to the investment company and the fiduciary or affiliate receives reasonable compensation for the services. Requires the fiduciary to furnish a copy of the prospectus relating to the securities to certain persons.

Sec. 13.90.010(d) defines certain terms for the section.

If I may be of further assistance, please advise.

TLB:pl:klb
96-040.plm