

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10631 SENATE LABOR & COMMERCE

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 309  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Adverse Possession BRU Community Assist & Econ. Dev. (405)  
 Component Community & Business Development  
 Sponsor Senator Therriault  
 Requester Senate Labor & Commerce Component No. 2486

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

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill has no fiscal impact on the operations of the department.

Prepared by: Pat Poland, Director Phone 907-269-4578  
 Division Community & Business Development Date/Time 2/28/02 3:48 PM  
 Approved by: Deborah B. Sedwick, Commissioner Date 2/28/2002  
 Agency Department of Community & Economic Development

Mike Saret

Howard Sauer

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Larry Markus (lobbyist) —

[Can unrequited]

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Geoff Bullock

Lobbyist from KTA

Said the same thing

Said lives in KTA

**S B**

**3 2 8**

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 2/19/02

FURTHER:

Date of 5-Day Notice: 2/28/02  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3/6/02

Labor and Commerce Committee considered

SENATE BILL NO. 328

*SB 328 BIG GAME HUNTERS ACCOMPANIED BY GUIDE*

"An Act requiring that a nonresident big game hunter be accompanied by a big game guide who is providing big game hunting services to the nonresident under a contract with the nonresident or who is employed by a big game guide who has a contract to provide big game hunting services to the nonresident."

and recommends:

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

**Senate Bill:**

same title

new title

**House Bill:**

same title

technical title

new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Public Safety	3/4/02		✓	1
DCED	3/4/02		✓	2

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB 328  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title An Act requiring a non-resident big game BRU: Occupational Licensing (117)  
hunter be accompanied by a big game guide Component Occupational Licensing  
Sponsor Senator Halford  
Requester Senate Labor & Commerce Component No. 2360

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

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

Estimate of any current year (FY2002) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

SB 328 clarifies the requirements of nonresident hunters and hunters who are nonresident aliens to hire a big game guide. New funds are not required to implement these changes.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144  
Division: Occupational Licensing Date/Time 3/4/02 3:15 PM  
Approved by: Deborah B. Sedwick, Commissioner Date 3/4/2002  
Agency: Department of Community & Economic Development

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 328  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
 Title An act requiring nonresident big BRU Fish & Wildlife Protection  
game hunters to be accompanied by a big game guide Component Enforcement & Investigations  
 Sponsor Senator Halford  
 Requester Senate Labor & Commerce Component No. 490

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

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	0					
Part-time	0					
Temporary	0					

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

This bill does not conflict with the Department's programs objectives. We anticipate no impact on our budget.

Prepared by: Captain Al Cain Phone 269-5589  
 Division: Fish & Wildlife Protection Date/Time 3/4/02 11:11 AM  
 Approved by: Commissioner Glenn G. Godfrey Date 3/4/2002  
 Agency: Department of Public Safety

**SJR**

**28**

1/28/01

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Commerce Committee considered SENATE JOINT RESOLUTION NO. 28

*LONG-TERM CARE INSURANCE*

dissemination of information about the costs of long-term care services and the availability of long-term insurance for individuals.

recommends:

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to \_\_\_\_\_ Committee

**Senate Bill:**

[ ] same title

[ ] new title

**House Bill:**

[ ] same title

[ ] technical title

[ ] new: SCR # \_\_\_\_\_

**SCAL NOTE(S):**

Item	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

PROPRIATION - no fiscal note

VOTERS AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Alma Guste</i>	✓			
<i>Betty Davis</i>	✓			
<i>[Signature]</i>	✓			
IR: <i>[Signature]</i>	✓			

SR 28

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SJR 28  
 (S) Publish Date: 4/28/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title: Long-Term Care Insurance BRU: \_\_\_\_\_  
 Sponsor: Senator Wilken Component: \_\_\_\_\_  
 Requester: Senate HESS Component Number: \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Prepared by: SENATE HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE Phone 465-3009

Senator: /s/ SENATOR GREEN Date 4/26/01  
Committee Chair

# CORRECTION

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



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

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SJR 28  
 (S) Publish Date: 4/28/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title: Long-Term Care Insurance BRU: \_\_\_\_\_  
 Sponsor: Senator Wilken Component: \_\_\_\_\_  
 Requester: Senate HESS Component Number: \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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Land & Structures						
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<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Prepared by: SENATE HEALTH, EDUCATION & SOCIAL SERVICES COMMI Phone 465-3009

Senator: /s/ SENATOR GREEN Date 4/26/01  
 Committee Chair

**GARY WILKEN**

SENATOR  
West Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: (907) 451-4347  
Fax: (907) 456-8163



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Juneau, Alaska 99801-1182  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-Mail: [Senator\\_Gary\\_Wilken@legis.state.ak.us](mailto:Senator_Gary_Wilken@legis.state.ak.us)

**MEMORANDUM**

TO: Senator Randy Phillips, Chairman  
Senate Labor and Commerce Committee

FROM: Senator Gary Wilken

DATE: April 28, 2001

RE: Senate Joint Resolution 28  
Long-Term Care Insurance

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I respectfully request that Senate Joint Resolution 28 "Long-Term Care Insurance" be scheduled for a hearing before the Senate Labor and Commerce Committee.

Senate Joint Resolution 28 directs appropriate state and federal agencies to inform the public about the high cost of long-term care services and the need for families to plan, in advance, for their long-term care needs.

Alaska's high cost of providing long-term care and our rapidly growing senior population accentuates the necessity of educating Alaskans on the availability of private, long-term care insurance and the importance of planning for their health care needs in the future.

Thank you for your assistance in this request.

## GARY WILKEN

SENATOR  
West Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: (907) 451-4347  
Fax: (907) 456-8163



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State Capitol Building  
Juneau, Alaska 99801-1182  
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Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-Mail: [Senator\\_Gary\\_Wilken@legis.state.ak.us](mailto:Senator_Gary_Wilken@legis.state.ak.us)

## Sponsor Statement

### SJR 28: Long-Term Care Insurance

Senate Joint Resolution 28 directs appropriate state and federal agencies to inform the public about the high cost of long-term care services and the need for families to plan, in advance, for their long-term care needs.

The fastest growing population group in Alaska is people who are 65 years or older. The senior community is growing about 5 percent annually while the rest of the population is increasing but a slight 2 percent. This growth rate could almost triple to 12 percent by the year 2018. In less than 20 years, seniors will comprise a significant proportion of Alaska's total population.

These rapid growth rates are coupled with the high cost of providing long-term care in Alaska. At an average of over \$210 per day, Alaska's nursing home costs rank Number 1 nationwide; twice the national average cost of \$92 per day. This incredible expense can have a disastrous effect on families, wiping out a lifetime of savings before the elder becomes eligible for Medicaid.

Widespread use of private, long-term care insurance has the potential to protect families from the catastrophic costs of long-term care services while, at the same time, reduce the burden on Medicaid as Alaska ages. But most Americans, 76 percent, do not believe they will ever need long-term care and, therefore, do not explore the option of obtaining private, long-term care insurance.

Senate Joint Resolution 28 directs the beginning of an educational campaign to inform Alaskans about the realities of aging and how individuals can protect themselves for the future.

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*LTC* **TASK FORCE**  
Long-Term Care Task Force

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FINAL REPORT  
January 1999

*Representative Con Bunde, Co-chairman*  
*Senator Gary Wilken, Co-chairman*

*State Capitol Building*  
*Juneau, Alaska 99801-1182*

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## INFORMATION ON PRIVATE LONG-TERM CARE INSURANCE

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### RECOMMENDATION

# 29

The Task Force requests the Division of Insurance compile relevant information on the need for and availability of long-term care insurance in Alaska and disseminate the information to the general public.

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On March 9, 1998 Mr. Paul Willging, Ph.D., executive vice-president of the American Health Care Association, testified before the U.S. Senate Special Committee on Aging. "Most Americans (76 percent) do not believe they will ever need long-term care, but the facts are that two out of five will at some point in their lives, and that one in five over the age of 50 is at risk of needing long-term care within 12 months. None-the-less, few take any steps to plan for the possibility, believing Medicare will provide for their needs. Medicare, of course, will not. It only provides limited long-term care, so government help for most Americans comes only when they have exhausted their personal savings and are forced onto welfare."<sup>81</sup>

*"Most Americans (76%) do not believe they will ever need long-term care, but the facts are that two out of five will at some point in their lives."*

Private long-term care insurance coverage, must be considered as another option. Although the market is still small – the American Association of Retired Persons

# *ltc* TASK FORCE

The Long-Term Care Task Force

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*"In Alaska in 1997, approximately 80 percent of nursing home costs were paid by the Medicaid program."*

estimates 6 percent of older people have private policies – interest is growing. The Health Insurance Association of America (HIAA) data revealed that in 1986, fewer than 125,000 policies were in effect. Eleven years later, roughly 5 million policies had been written.<sup>82</sup>

Private long-term care insurance usually pays for skilled, intermediate, or custodial care in a nursing home. It can also cover a variety of home and community-based care services. Typically, long-term care policies pay up to a specific dollar amount for covered services per day, reimbursing policy owners for expenses they incur. Annual premiums for long-term care insurance policies can range from \$250 to over \$2,500 depending on age, waiting periods, and the duration and amount of benefits.<sup>83</sup>

According to the Health Care Financing Administration, approximately 80 percent of nursing home costs were paid by the Medicaid program in Alaska in 1997, while only 10 percent were paid by either private long-term care insurance or out-of-pocket. This federal-state welfare system cannot continue to exist unless a change is made. The private sector must begin to shoulder a greater portion of the financial burden. As shown, private long-term care insurance is affordable if purchased early in life. Unfortunately, many people believe that long-term care insurance is unnecessary and display a basic unwillingness to face up to their own future frailty.<sup>84</sup>

*"Alaskans should be encouraged to examine the options available through private long-term care insurance."*

However, this does not mean that the issue should be dropped. Indeed, Alaskans should be encouraged to examine the options available through private long-term care insurance and ultimately, if appropriate, purchase policies that meet their individual needs. Accurate, concise, and unbiased information about long-term care insurance and the alternatives available is invaluable in this decision-making process. State government, especially through its annual publications, mailings, and mass media campaigns, has the ability to inform all residents about this issue.

The Task Force requests the Division of Insurance compile relevant information on the need for and availability of long-term care insurance in Alaska and disseminate the information to the general public by January 1, 2000. ❖

# Are you prepared for long-term care?

By Kristin Hilderbrand  
For the Journal

## WEALTHBUILDERS



Statistics indicate we will all feel the effects of long-term care — whether you are in need of long-term care yourself, a caregiver, an employer who experiences a loss in employee productivity, or an employee who loses valuable wages due to an obligation to provide care to a loved one.

According to the American Health Care Association, "Half of all Americans will need some form of long-term care and of that number, 40 percent will be under the age of 65."

It is important to understand what defines long-term care. LTC is the assistance you need with a lengthy illness, disability, or cognitive disorder. You might receive care in your home, in an extended care facility or a nursing home.

The type of care and the cost of that care will range from region to region. In 1999, the average cost for LTC in the Lower 48 was \$50,000 a year, while in Alaska, it runs \$143,000 a year. If you take into consideration that the average stay in a nursing home is more than two years, this is a costly proposition.

Of the \$82.8 billion spent on LTC in 1997, the federal government paid for 60 percent,

with individuals assuming 31 percent, insurance companies covering 5 percent, and other sources accounting for the remaining 4 percent. The federal government can not afford this financial burden and has responded by providing tax incentives for employers and individuals to assume more of the risk.

With the passage in 1996 of the Health Insurance Portability and Accountability Act, C-corporations can deduct 100 percent of the premium expense for LTC premiums paid on officers, owners and employees for qualified LTC plans. For pass-through entities they can deduct 60 percent of the premium expenses, with the percentage increasing to 100 percent deductibility by 2003.

In both cases, the premium contributions are generally excludable from the employee's income. For individuals who pay the premiums themselves and itemize, they can deduct the cost of LTC premiums as a medical expense, with an age-based limit guiding the eligible amount.



Hilderbrand

How will you pay for LTC? As previously mentioned, the federal government can foot the bill through its welfare program, Medicaid. However, you must spend down all your assets to \$2,000, and you may only retain your home if your spouse continues to

live there.

Be aware that while these provisions may protect these few assets while you're alive and receiving care, many states have taken the federal mandate very seriously and recouped their costs by putting liens on the homes. Furthermore, by accepting Medicaid assistance you give up to the state your right to choose the type of care you will receive.

Medicare is not designed to provide support for long-term care needs. It is designed to cover major medical, and at that it only provides 100 days of coverage, with the first 20 days at no cost to you and the remaining 80 days at \$97 per day. After the first 100 days, you will incur all of the cost.

In addition to the common

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*Continued on Page 8*

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## Now's the time to decide how to pay for your long-term care

*Continued from Page 4*

misunderstanding that Medicare provides long-term care, Medicare Supplement Insurance only supplements your Medicare co-pay expenses. Medicare Supplement Insurance does not extend coverage.

Your final option to cover LTC expenses is to self-insure or transfer the risk to an insurance company. The best strategy for outlining whether self-insurance is the right option for you is to determine based on family medical history: "How long will

you need the coverage?" and "Where do you intend to be when you need the coverage?"

Realize that these are crystal ball scenarios but the worst thing you can do is put it off because you just can't decide. Develop a financial plan that takes into account cost and duration, then assess how much money will need to be set aside and what kind of return you can expect to cover that annual expense.

Employers need to be prepared for the impact on productivity and the bottom-line effect of

having employees exposed to the requirements of being caregivers.

The National Center for Women and Aging at Brandeis University and the National Alliance for Caregivers conducted a survey in 1999 and found that employees who served either in whole or in part as caregivers lost, over a life-

time, \$650,000 in wages.

That figure takes into account passed-over promotions and excess hours gone from work on family medical leave, including limited dollars contributed to retirement plans due to the financial burden of covering a loved-ones' long-term care expenses.

Are you prepared for the financial risks of long-term care?

*Kristin Hilderbrand is an associate at The Wilson Agency in Anchorage. She can be reached at 907-277-1616 or by e-mail at (kristinh@thewilson-agency.com).*

# The Scary Numbers of Long-Term Medical Care

by Stephen A. Moses

The financial woes of Social Security and, to a lesser extent, Medicare, are well known. But how long can Medicaid, which pays for over two-thirds of all nursing home patient days in the U.S., avoid bankruptcy?

Researchers predict that 9 percent of people over age 65 will spend five years or more in a nursing home. Nursing home care already averages \$50,000 per year. If 70 million of today's 77 million baby boomers make it to age 65 and the researchers are right, then almost seven million of the boomers will spend at least five years in a nursing home—at a cost of \$250,000 each, in today's dollars. That totals up to \$1.75 trillion.

How long can public funds survive as the payer of last resort for long-term care? The United States spent \$82.8 billion on nursing home care in 1997, and the Health Care Financing Administration estimates nursing home costs will rise to \$148.3 billion by 2007. Medicaid and Medicare, two big public payers, contributed 59.9 percent of the total cost of nursing home care in 1997, up from 48.7 percent in 1985. And that number underestimates the taxpayer's tab; it does not include the indirect funding from Social Security benefits, which nursing home residents often use to make their required co-payments.

Public financing of long-term care is already showing terrible strains as it increasingly pays more of the bills. Medicare is cutting back on growth in nursing home and home health care spending. Medicaid is shrugging under the burden of financing long-term care and already has a dismal reputation for problems with access, quality, reimbursement, discrimination, and institutional bias. My guess is that Medicaid cannot survive much beyond the seniority of the baby boomers beginning in 2010.

While public spending has soared, out-of-pocket nursing home expenditures have fallen—from 44.3 percent of the total in 1985 to 31.1 percent in 1997. After you deduct the direct and indirect public contributions to nursing home care from the total expenses, very little remains to constitute a genuine out-of-pocket cost to individuals, who might otherwise feel a sense of urgency about the need for early long-term care planning.

With every benign intent, government has been sending a message to the public that long-term care is a risk that people can ignore. By increasing Medicaid's contribution to nursing home care rapidly; by allowing out-of-pocket nursing home payments to decline drastically; and by permitting Medicare long-term home health care expenditures to skyrocket uncontrollably, the government has anesthetized the public to the real financial risk of long-term care.

Consequently, most people do not plan ahead for predictable long-term care expenses. Private long-term care insurance, which

allows people to spread this risk, has penetrated less than 10 percent of the senior market, and virtually none of the crucial baby-boomer market.

Medicaid estate planning—the practice of artificially impoverishing elderly people to qualify them for Medicaid nursing home benefits without spending down their assets—is rampant. The day of reckoning is still a long way away. But the best time to confront and solve the problem is now.

## The LTC Proposal

The Center for Long-Term Care Financing has proposed a solution called "LTC Choice." The government should educate American citizens about long-term care risk no later than when they reach age 60 to 65. People should be encouraged to insure privately for long-term care. Those who do not should be required to agree in writing that they can expect no financial assistance for long-term care from the government until they exhaust their personal wealth.

Instead of forcing people to impoverish themselves in order to gain access to a welfare-financed nursing home as the current system does, the government should offer a line of credit on the estates of the uninsured to empower them to purchase quality long-term care in the private marketplace at the appropriate level of care. Then, it would require seniors to pay back these fully secured loans out of their estates. That would send a very strong message to everyone, especially

heirs, that long-term care is a risk they should take seriously and protect against early.

Confronted with genuine risk of this kind, most Americans will do the responsible thing: insure and pay privately for long-term care, and thereby allow Medicaid to survive as a safety net for the truly needy.

*With every benign intent,  
government has been  
sending a message to the  
public that long-term care  
is a risk people can ignore.*

Stephen A. Moses is president of the Center for Long-Term Care Financing. The Center's new white paper—"The Myth of Unaffordability: How Most Americans Should, Could, and Would Buy Private Long-Term Care Insurance"—was published September 1, 1999, and may be purchased for \$34.95. Contact the Center at 800 Fifth Avenue #4100, Seattle, WA, 98104; phone 206/447-1340; e-mail [info@centerltc.com](mailto:info@centerltc.com); Web <http://www.centerltc.com>.

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### 1. Name of the insurance company

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# STATE OF ALASKA

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Adult Protective Services

Information & Referral

Assisted Living Licensing

Alaska Commission on Aging

Citizen's Foster Care Review

Personal Care Attendant Program

Older Alaskan's Waiver

Care Plan Counseling

Adults with Physical Disabilities Waiver

*TONY KNOWLES, GOVERNOR*

## INSURANCE COUNSELING & ASSISTANCE PROGRAM

Funded by a grant from the Health Care  
Financing Administration

3601 C STREET, SUITE 310

ANCHORAGE, AK 99503-5984

PHONE (907)269-3680 UB ANCHORAGE

1-800-478-6065 OUTSIDE ANCHORAGE

FAX (907)269-3690

## COMPANIES SELLING LONG TERM CARE INSURANCE IN THE STATE OF ALASKA AS OF FEBRUARY 2000

THIS INFORMATION IS PROVIDED AS A SERVICE TO ALASKA SENIOR AND IN NO WAY IS  
AN ENDORSEMENT OR RECOMMENDATION OF THE COMPANIES LISTED BELOW.

### AFALAC

Howard R. Enbysk

341 West Tudor Road #209

Anchorage, AK 99503

Phone: 563-8244

### New York Life Insurance

Gary Clive Schade

701 W 8<sup>th</sup> Avenue, Suite 900

Anchorage, AK 99501-3408

Phone: 257-5244

### Blue Cross of Washington & Alaska

REPRESENTING: American Travelers Life Banker

United Life; CNA; Network American Life, UNUM

2550 Denali Street, Suite 600

Anchorage, AK 99503

Phone: 258-5065 Ext. 307

1-800-345-6784

### Blue Cross of Washington and Alaska

Bob Satterwaite

2550 Denali Street Suite 600

Anchorage, AK 99503

Anchorage: (907)258-5065, Ext: 311

or (Alaska Only) 1-888-669-2583

Seattle: 1-800-345-6784

### Banker's Life & Casualty Co.

Don Christensen

5512 NE 109<sup>th</sup> Court, #E

Vancouver, WA 98662

1-800-772-2258

in Anchorage: 338-7373

### State Farm Insurance Company

Steven Van Horne or Ross Carlton

510 W Tudor Road, Suit 5

Anchorage, AK 99503

Phone: 561-0000

### Golden Care, Principal and UNUM

Insurance Companies

Hagen Insurance

PO Box 240326

Anchorage, AK 99524

Phone: 1-800-561-8040

### Dow Financial Services

Corky Dow

P.O. Box 83904

Fairbanks, AK 99708

Phone: 1-888-648-7746

Local Phone: 451-7746

Fax: 457-7746

**COMPANIES SELLING LONG TERM CARE INSURANCE IN THE STATE OF ALASKA**

**FEBRUARY 2000**

**PAGE 2**

Lincoln National Life Insurance Company,  
Money Guard  
(Life insurance which pays for long term care)  
C/O Morgan Stanley Dean Witter  
3601 C Street, Suite 140  
Anchorage, AK 99503  
Phone: (907)562-2828  
1-800-252-3326

Allstate Life Insurance Company  
Representing Lincoln Benefit Life Insurance  
Company  
John K. Powers  
505 W. Northern Lights Blvd., Suite 200  
Anchorage, AK 99503  
Phone: 272-7233  
Fax: 272-7234

Gwaltney & Gwaltney  
701 Sesame Street  
Anchorage, AK 99503  
Phone: 297-7300

Shilanski & Associates, Inc.  
Floyd Shilanski or Milo Jurik  
Representing: John Hancock, UNUM, Penntreaty  
and Alliance  
431 W 7<sup>th</sup> Avenue, Suite 100  
Anchorage, AK 99501  
Phone: 278-1351  
Accepts Collect Calls

**SJR**

**28**



# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SJR 28  
 (S) Publish Date: 4/28/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title: Long-Term Care Insurance BRU: \_\_\_\_\_  
 Sponsor: Senator Wilken Component: \_\_\_\_\_  
 Requester: Senate HESS Component Number: \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Prepared by: SENATE HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE Phone 465-3009

Senator: /s/ SENATOR GREEN Date 4/26/01  
Committee Chair

**GARY WILKEN**

SENATOR  
West Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: (907) 451-4347  
Fax: (907) 456-8163



During Session:  
State Capitol Building  
Juneau, Alaska 99801-1182  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-Mail: [Senator\\_Gary\\_Wilken@legis.state.ak.us](mailto:Senator_Gary_Wilken@legis.state.ak.us)

## MEMORANDUM

TO: Senator Randy Phillips, Chairman  
Senate Labor and Commerce Committee

FROM: Senator Gary Wilken

DATE: April 28, 2001

RE: Senate Joint Resolution 28  
Long-Term Care Insurance

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I respectfully request that Senate Joint Resolution 28 "Long-Term Care Insurance" be scheduled for a hearing before the Senate Labor and Commerce Committee.

Senate Joint Resolution 28 directs appropriate state and federal agencies to inform the public about the high cost of long-term care services and the need for families to plan, in advance, for their long-term care needs.

Alaska's high cost of providing long-term care and our rapidly growing senior population accentuates the necessity of educating Alaskans on the availability of private, long-term care insurance and the importance of planning for their health care needs in the future.

Thank you for your assistance in this request.

**GARY WILKEN**

SENATOR  
West Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: (907) 451-4347  
Fax: (907) 456-8163



During Session:  
State Capitol Building  
Juneau, Alaska 99801-1182  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-Mail: [Senator\\_Gary\\_Wilken@legis.state.ak.us](mailto:Senator_Gary_Wilken@legis.state.ak.us)

## Sponsor Statement

### SJR 28: Long-Term Care Insurance

Senate Joint Resolution 28 directs appropriate state and federal agencies to inform the public about the high cost of long-term care services and the need for families to plan, in advance, for their long-term care needs.

The fastest growing population group in Alaska is people who are 65 years or older. The senior community is growing about 5 percent annually while the rest of the population is increasing but a slight 2 percent. This growth rate could almost triple to 12 percent by the year 2018. In less than 20 years, seniors will comprise a significant proportion of Alaska's total population.

These rapid growth rates are coupled with the high cost of providing long-term care in Alaska. At an average of over \$210 per day, Alaska's nursing home costs rank Number 1 nationwide; twice the national average cost of \$92 per day. This incredible expense can have a disastrous effect on families, wiping out a lifetime of savings before the elder becomes eligible for Medicaid.

Widespread use of private, long-term care insurance has the potential to protect families from the catastrophic costs of long-term care services while, at the same time, reduce the burden on Medicaid as Alaska ages. But most Americans, 76 percent, do not believe they will ever need long-term care and, therefore, do not explore the option of obtaining private, long-term care insurance.

Senate Joint Resolution 28 directs the beginning of an educational campaign to inform Alaskans about the realities of aging and how individuals can protect themselves for the future.

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*LTC* **TASK FORCE**  
Long-Term Care Task Force

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FINAL REPORT  
January 1999

*Representative Con Bunde, Co-chairman*  
*Senator Gary Wilken, Co-chairman*

*State Capitol Building*  
*Juneau, Alaska 99801-1182*

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## INFORMATION ON PRIVATE LONG-TERM CARE INSURANCE

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### RECOMMENDATION

# 29

The Task Force requests the Division of Insurance compile relevant information on the need for and availability of long-term care insurance in Alaska and disseminate the information to the general public.

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On March 9, 1998 Mr. Paul Willging, Ph.D., executive vice-president of the American Health Care Association, testified before the U.S. Senate Special Committee on Aging. "Most Americans (76 percent) do not believe they will ever need long-term care, but the facts are that two out of five will at some point in their lives, and that one in five over the age of 50 is at risk of needing long-term care within 12 months. None-the-less, few take any steps to plan for the possibility, believing Medicare will provide for their needs. Medicare, of course, will not. It only provides limited long-term care, so government help for most Americans comes only when they have exhausted their personal savings and are forced onto welfare."<sup>81</sup>

*"Most Americans (76%) do not believe they will ever need long-term care, but the facts are that two out of five will at some point in their lives."*

Private long-term care insurance coverage, must be considered as another option. Although the market is still small – the American Association of Retired Persons

*"In Alaska in 1997, approximately 80 percent of nursing home costs were paid by the Medicaid program."*

estimates 6 percent of older people have private policies – interest is growing. The Health Insurance Association of America (HIAA) data revealed that in 1986, fewer than 125,000 policies were in effect. Eleven years later, roughly 5 million policies had been written.<sup>82</sup>

Private long-term care insurance usually pays for skilled, intermediate, or custodial care in a nursing home. It can also cover a variety of home and community-based care services. Typically, long-term care policies pay up to a specific dollar amount for covered services per day, reimbursing policy owners for expenses they incur. Annual premiums for long-term care insurance policies can range from \$250 to over \$2,500 depending on age, waiting periods, and the duration and amount of benefits.<sup>83</sup>

According to the Health Care Financing Administration, approximately 80 percent of nursing home costs were paid by the Medicaid program in Alaska in 1997, while only 10 percent were paid by either private long-term care insurance or out-of-pocket. This federal-state welfare system cannot continue to exist unless a change is made. The private sector must begin to shoulder a greater portion of the financial burden. As shown, private long-term care insurance is affordable if purchased early in life. Unfortunately, many people believe that long-term care insurance is unnecessary and display a basic unwillingness to face up to their own future frailty.<sup>84</sup>

*"Alaskans should be encouraged to examine the options available through private long-term care insurance."*

However, this does not mean that the issue should be dropped. Indeed, Alaskans should be encouraged to examine the options available through private long-term care insurance and ultimately, if appropriate, purchase policies that meet their individual needs. Accurate, concise, and unbiased information about long-term care insurance and the alternatives available is invaluable in this decision-making process. State government, especially through its annual publications, mailings, and mass media campaigns, has the ability to inform all residents about this issue.

The Task Force requests the Division of Insurance compile relevant information on the need for and availability of long-term care insurance in Alaska and disseminate the information to the general public by January 1, 2000. ❖

# Are you prepared for long-term care?

By Kristin Hilderbrand  
For the Journal

## WEALTHBUILDERS



Statistics indicate we will all feel the effects of long-term care — whether you are in need of long-term care yourself, a caregiver, an employer who experiences a loss in employee productivity, or an employee who loses valuable wages due to an obligation to provide care to a loved one.

According to the American Health Care Association, "Half of all Americans will need some form of long-term care and of that number, 40 percent will be under the age of 65."

It is important to understand what defines long-term care. LTC is the assistance you need with a lengthy illness, disability, or cognitive disorder. You might receive care in your home, in an extended care facility or a nursing home.

The type of care and the cost of that care will range from region to region. In 1999, the average cost for LTC in the Lower 48 was \$50,000 a year, while in Alaska, it runs \$143,000 a year. If you take into consideration that the average stay in a nursing home is more than two years, this is a costly proposition.

Of the \$82.8 billion spent on LTC in 1997, the federal government paid for 60 percent,

with individuals assuming 31 percent, insurance companies covering 5 percent, and other sources accounting for the remaining 4 percent. The federal government can not afford this financial burden and has responded by providing tax incentives for employers and individuals to assume more of the risk.

With the passage in 1996 of the Health Insurance Portability and Accountability Act, C-corporations can deduct 100 percent of the premium expense for LTC premiums paid on officers, owners and employees for qualified LTC plans. For pass-through entities they can deduct 60 percent of the premium expenses, with the percentage increasing to 100 percent deductibility by 2003.

In both cases, the premium contributions are generally excludable from the employee's income. For individuals who pay the premiums themselves and itemize, they can deduct the cost of LTC premiums as a medical expense, with an age-based limit guiding the eligible amount.



Hilderbrand

How will you pay for LTC? As previously mentioned, the federal government can foot the bill through its welfare program, Medicaid. However, you must spend down all your assets to \$2,000, and you may only retain your home if your spouse continues to

live there.

Be aware that while these provisions may protect these few assets while you're alive and receiving care, many states have taken the federal mandate very seriously and recouped their costs by putting liens on the homes. Furthermore, by accepting Medicaid assistance you give up to the state your right to choose the type of care you will receive.

Medicare is not designed to provide support for long-term care needs. It is designed to cover major medical, and at that it only provides 100 days of coverage, with the first 20 days at no cost to you and the remaining 80 days at \$97 per day. After the first 100 days, you will incur all of the cost.

In addition to the common

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*Continued on Page 8*

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## Now's the time to decide how to pay for your long-term care

*Continued from Page 4*

misunderstanding that Medicare provides long-term care, Medicare Supplement Insurance only supplements your Medicare co-pay expenses. Medicare Supplement Insurance does not extend coverage.

Your final option to cover LTC expenses is to self-insure or transfer the risk to an insurance company. The best strategy for outlining whether self-insurance is the right option for you is to determine based on family medical history: "How long will

you need the coverage?" and "Where do you intend to be when you need the coverage?"

Realize that these are crystal ball scenarios but the worst thing you can do is put it off because you just can't decide. Develop a financial plan that takes into account cost and duration, then assess how much money will need to be set aside and what kind of return you can expect to cover that annual expense.

Employers need to be prepared for the impact on productivity and the bottom-line effect of

having employees exposed to the requirements of being caregivers.

The National Center for Women and Aging at Brandeis University and the National Alliance for Caregivers conducted a survey in 1999 and found that employees who served either in whole or in part as caregivers lost, over a life-

time, \$650,000 in wages.

That figure takes into account passed-over promotions and excess hours gone from work on family medical leave, including limited dollars contributed to retirement plans due to the financial burden of covering a loved-ones' long-term care expenses.

Are you prepared for the financial risks of long-term care?

*Kristin Hilderbrand is an associate at The Wilson Agency in Anchorage. She can be reached at 907-277-1616 or by e-mail at (kristinh@thewilson-agency.com).*

# The Scary Numbers of Long-Term Medical Care

by Stephen A. Moses

The financial woes of Social Security and, to a lesser extent, Medicare, are well known. But how long can Medicaid, which pays for over two-thirds of all nursing home patient days in the U.S., avoid bankruptcy?

Researchers predict that 9 percent of people over age 65 will spend five years or more in a nursing home. Nursing home care already averages \$50,000 per year. If 70 million of today's 77 million baby boomers make it to age 65 and the researchers are right, then almost seven million of the boomers will spend at least five years in a nursing home—at a cost of \$250,000 each, in today's dollars. That totals up to \$1.75 trillion.

How long can public funds survive as the payer of last resort for long-term care? The United States spent \$82.8 billion on nursing home care in 1997, and the Health Care Financing Administration estimates nursing home costs will rise to \$148.3 billion by 2007. Medicaid and Medicare, two big public payers, contributed 59.9 percent of the total cost of nursing home care in 1997, up from 48.7 percent in 1985. And that number underestimates the taxpayer's tab; it does not include the indirect funding from Social Security benefits, which nursing home residents often use to make their required co-payments.

Public financing of long-term care is already showing terrible strains as it increasingly pays more of the bills. Medicare is cutting back on growth in nursing home and home health care spending. Medicaid is shuffling under the burden of financing long-term care and already has a dismal reputation for problems with access, quality, reimbursement, discrimination, and institutional bias. My guess is that Medicaid cannot survive much beyond the seniority of the baby boomers beginning in 2010.

While public spending has soared, out-of-pocket nursing home expenditures have fallen—from 44.3 percent of the total in 1985 to 31.1 percent in 1997. After you deduct the direct and indirect public contributions to nursing home care from the total expenses, very little remains to constitute a genuine out-of-pocket cost to individuals, who might otherwise feel a sense of urgency about the need for early long-term care planning.

With every benign intent, government has been sending a message to the public that long-term care is a risk that people can ignore. By increasing Medicaid's contribution to nursing home care rapidly; by allowing out-of-pocket nursing home payments to decline drastically; and by permitting Medicare long-term home health care expenditures to skyrocket uncontrollably, the government has anesthetized the public to the real financial risk of long-term care.

Consequently, most people do not plan ahead for predictable long-term care expenses. Private long-term care insurance, which

allows people to spread this risk, has penetrated less than 10 percent of the senior market, and virtually none of the crucial baby-boomer market.


Medicaid estate planning—the practice of artificially impoverishing elderly people to qualify them for Medicaid nursing home benefits without spending down their assets—is rampant. The day of reckoning is still a long way away. But the best time to confront and solve the problem is now.

## The LTC Proposal

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Instead of forcing people to impoverish themselves in order to gain access to a welfare-financed nursing home as the current system does, the government should offer a line of credit on the estates of the uninsured to empower them to purchase quality long-term care in the private marketplace at the appropriate level of care. Then, it would require seniors to pay back these fully secured loans out of their estates. That would send a very strong message to everyone, especially

heirs, that long-term care is a risk they should take seriously and protect against early.

Confronted with genuine risk of this kind, most Americans will do the responsible thing: insure and pay privately for long-term care, and thereby allow Medicaid to survive as a safety net for the truly needy. 

Stephen A. Moses is president of the Center for Long-Term Care Financing. The Center's new white paper—"The Myth of Unaffordability: How Most Americans Should, Could, and Would Buy Private Long-Term Care Insurance"—was published September 1, 1999, and may be purchased for \$34.95. Contact the Center at 800 Fifth Avenue #4100, Seattle, WA, 98104; phone 206/447-1340; e-mail [info@centerltc.com](mailto:info@centerltc.com); Web <http://www.centerltc.com>.

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# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION DIVISION OF SENIOR SERVICES

Adult Protective Services  
Information & Referral  
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Alaska Commission on Aging  
Citizen's Foster Care Review

Personal Care Attendant Program  
Older Alaskan's Waiver  
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*TONY KNOWLES, GOVERNOR*

INSURANCE COUNSELING &  
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ANCHORAGE, AK 99503-5984  
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FAX (907)269-3690

### COMPANIES SELLING LONG TERM CARE INSURANCE IN THE STATE OF ALASKA AS OF FEBRUARY 2000

THIS INFORMATION IS PROVIDED AS A SERVICE TO ALASKA SENIOR AND IN NO WAY IS  
AN ENDORSEMENT OR RECOMMENDATION OF THE COMPANIES LISTED BELOW.

AFALAC  
Howard R. Enbysk  
341 West Tudor Road #209  
Anchorage, AK 99503  
Phone: 563-8244

New York Life Insurance  
Gary Clive Schade  
701 W 8<sup>th</sup> Avenue, Suite 900  
Anchorage, AK 99501-3408  
Phone: 257-5244

Blue Cross of Washington & Alaska  
REPRESENTING: American Travelers Life Banker  
United Life; CNA; Network American Life, UNUM  
2550 Denali Street, Suite 600  
Anchorage, AK 99503  
Phone: 258-5065 Ext. 307  
1-800-345-6784

Blue Cross of Washington and Alaska  
Bob Satterwaite  
2550 Denali Street Suite 600  
Anchorage, AK 99503  
Anchorage: (907)258-5065, Ext: 311  
or (Alaska Only) 1-888-669-2583  
Seattle: 1-800-345-6784

Banker's Life & Casualty Co.  
Don Christensen  
5512 N E 109<sup>th</sup> Court, #E  
Vancouver, WA 98662  
1-800-772-2258  
in Anchorage: 338-7373

State Farm Insurance Company  
Steven Van Horne or Ross Carlton  
510 W Tudor Road, Suit 5  
Anchorage, AK 99503  
Phone: 561-0000

Golden Care, Principal and UNUM  
Insurance Companies  
Hagen Insurance  
PO Box 240326  
Anchorage, AK 99524  
Phone: 1-800-561-8040

Dow Financial Services  
Corky Dow  
P.O. Box 83904  
Fairbanks, AK 99708  
Phone: 1-888-648-7746  
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Fax: 457-7746

**COMPANIES SELLING LONG TERM CARE INSURANCE IN THE STATE OF ALASKA**

**FEBRUARY 2000**

**PAGE 2**

Lincoln National Life Insurance Company,  
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3601 C Street, Suite 140  
Anchorage, AK 99503  
Phone: (907)562-2828  
1-800-252-3326

Gwaltney & Gwaltney  
701 Sesame Street  
Anchorage, AK 99503  
Phone: 297-7300

Allstate Life Insurance Company  
Representing Lincoln Benefit Life Insurance  
Company  
John K. Powers  
505 W. Northern Lights Blvd., Suite 200  
Anchorage, AK 99503  
Phone: 272-7233  
Fax: 272-7234

Shilanski & Associates, Inc.  
Floyd Shilanski or Milo Jurik  
Representing: John Hancock, UNUM, Penn Treaty  
and Alliance  
431 W 7<sup>th</sup> Avenue, Suite 100  
Anchorage, AK 99501  
Phone: 278-1351  
Accepts Collect Calls

**SJR**

**44**

During Session, January - May:  
State Capitol, Room 115  
Juneau, Alaska 99801  
(907) 465-2095  
465-3810 FAX



During Interim, June - December:  
716 W 4th Ave, Suite 520  
Anchorage, Alaska 99501  
(907) 269-0240  
269-0242 FAX

Senator Loren Leman

## **Sponsor Statement for SJR 44 Joint State-Federal Research and Development Plan**

SJR 44 requests that state and federal agencies work together to develop a joint research and development plan to help expand and diversify Alaska's economy, strengthen and maintain state research institutions, and protect the health of Alaskans and the environment of Alaska.

Alaska's economy is heavily dependent on the research and development activities of public, private, and academic sectors to attract investment, jobs, and revenue to the state. Effective research and development apply knowledge toward efficient resource extraction, resource protection, provision of human health, and the export of intellectual property.

The goal of this joint effort will be to develop and present to the Legislature a plan to identify and assess areas of high economic potential for resource development and tourism on federal and state lands in Alaska.

**Contact:** Russ Kelly, Legislative Intern to Senator Loren Leman, at (907) 465-3841  
**Released:** April 10, 2002



National Archives and Records Administration  
Federal Register

## Executive Order 12501--Arctic research

**Source:** The provisions of Executive Order 12501 of Jan. 28, 1985, appear at 50 FR 4191, 3 CFR, 1985 Comp., p. 328, unless otherwise noted.

By the authority vested in me as President by the Constitution and laws of the United States of America, including the Arctic Research and Policy Act of 1984 (Title I of Public Law 98-373) ("the Act"), it is hereby ordered as follows:

**Section 1. *Establishment of Arctic Research Commission.*** There is established the Arctic Research Commission.

**Sec. 2. *Membership of the Commission.***

(a) The Commission shall be composed of five members appointed by the President, as follows:

- (1) three members appointed from among individuals from academic or other research institutions with expertise in areas of research relating to the Arctic, including the physical, biological, health, environmental, social, and behavioral sciences;
- (2) one member appointed from among indigenous residents of the Arctic who are representative of the needs and interests of Arctic residents and who live in areas directly affected by Arctic resources development; and
- (3) one member appointed from individuals familiar with the Arctic and representative of the needs and interests of private industry undertaking resource development in the Arctic.

The Director of the National Science Foundation shall serve as a nonvoting *ex officio* member of the Commission. The President shall designate a Chairperson from among the five voting members of the Commission.

(b) In making initial appointments to the Commission, the President shall designate one member to serve for a term of two years, two members to serve for terms of three years, and two members to serve for terms of four years as provided by Section 103(c) of the Act. Upon the expiration of these initial terms of office, the term of office of each member of the Commission shall be four years.

(c) Each of the Federal agencies represented on the Interagency Committee established by Section 7 of this Order may designate a representative to participate as an observer with the Commission. These representatives shall report to and advise the Commission on the activities of their agencies relating to Arctic research.

**Sec. 3. *Meetings of the Commission.***

The Commission shall meet at the call of the Chairman or a majority of its members. The Commission annually shall conduct at least one public meeting in the State of Alaska.

**Sec. 4. *Functions of the Commission.***

(a) The Commission shall:

- (1) develop and recommend an integrated national Arctic research policy;
- (2) assist, in cooperation with the Interagency Arctic Research Policy Committee established by Section 7 of this Order, in establishing a national Arctic research program plan to implement the Arctic research policy;

- (3) facilitate cooperation between the Federal government and State and local governments with respect to Arctic research;
  - (4) review Federal research programs in the Arctic and suggest improvements in coordination among programs;
  - (5) recommend methods to improve logistical planning and support for Arctic research as may be appropriate;
  - (6) suggest methods for improving efficient sharing and dissemination of data and information on the Arctic among interested public and private institutions;
  - (7) offer other recommendations and advice to the Interagency Arctic Research Policy Committee as it may find appropriate; and
  - (8) cooperate with the Governor of the State of Alaska, and with agencies and organizations of that State which the Governor may designate, with respect to the formulation of Arctic research policy.
- (b) Not later than January 31 of each year, the Commission shall:
- (1) submit to the President and Congress a report describing the activities and accomplishments of the Commission during the immediately preceding fiscal year; and
  - (2) publish a statement of goals and objectives with respect to Arctic research to guide the Interagency Arctic Research Policy Committee in the performance of its duties.

**Sec. 5. Responsibilities of Federal Agencies.**

- (a) The heads of Executive agencies shall, to the extent permitted by law, and in accordance with Section 105 of the Act, provide the Commission such information as it may require for purposes of carrying out its functions.
- (b) The heads of Executive agencies shall, upon reimbursement to be agreed upon by the Commission and the agency head, permit the Commission to utilize their facilities and services to the extent that the facilities and services are needed for the establishment and development of an Arctic research policy. The Commission shall take every feasible step to avoid duplication of effort.
- (c) All Federal agencies shall consult with the Commission before undertaking major Federal actions relating to Arctic research.

**Sec. 6. Administration of the Commission.** Members of the Commission who are otherwise employed for compensation shall serve without compensation for their work on the Commission, but may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the government service. Members of the Commission who are not otherwise employed for compensation shall be compensated for each day the member is engaged in actual performance of duties as a member, not to exceed 90 days of service each calendar year, at a rate equal to the daily equivalent of the rate for GS-16 of the General Schedule.

**Sec. 7. Establishment of Interagency Arctic Research Policy Committee.** There is established the Interagency Arctic Research Policy Committee (the "Interagency Committee"). The National Science Foundation shall serve as lead agency on the Interagency Committee and shall be responsible for implementing Arctic research policy.

**Sec. 8. Membership of the Interagency Committee.**

The Interagency Committee shall be composed of representatives of the following Federal agencies or their designees:

- (a) National Science Foundation;
- (b) Department of Commerce;
- (c) Department of Defense;

- (d) Department of Energy;
- (e) Department of the Interior;
- (f) Department of State;
- (g) Department of Transportation;
- (h) Department of Health and Human Services;
- (i) National Aeronautics and Space Administration;
- (j) Environmental Protection Agency;
- (k) Office of Science and Technology Policy; and
- (l) any other Executive agency that the Director of the National Science Foundation shall deem appropriate. The Director of the National Science Foundation or his designee shall serve as Chairperson of the Interagency Committee.

**Sec. 9. Functions of the Interagency Committee.** (a) The Interagency Committee shall:

- (1) survey Arctic research conducted by Federal, State, and local agencies, universities, and other public and private institutions to help determine priorities for future Arctic research, including natural resources and materials, physical and biological sciences, and social and behavioral sciences;
  - (2) work with the Commission to develop and establish an integrated national Arctic research policy that will guide Federal agencies in developing and implementing their research programs in the Arctic;
  - (3) consult with the Commission on:
    - (a) the development of the national Arctic research policy and the 5-year plan implementing the policy;
    - (b) Arctic research programs of Federal agencies;
    - (c) recommendations of the Commission on future Arctic research; and
    - (d) guidelines for Federal agencies for awarding and administering Arctic research grants;
  - (4) develop a 5-year plan to implement the national policy, as provided in section 109 of the Act;
  - (5) provide the necessary coordination, data, and assistance for the preparation of a single integrated, coherent, and multi-agency budget request for Arctic research, as provided in section 110 of the Act;
  - (6) facilitate cooperation between the Federal government and State and local governments in Arctic research, and recommend the undertaking of neglected areas of research;
  - (7) coordinate and promote cooperative Arctic scientific research programs with other nations, subject to the foreign policy guidance of the Secretary of State;
  - (8) cooperate with the Governor of the State of Alaska in fulfilling its responsibilities under the Act; and
  - (9) promote Federal interagency coordination of all Arctic research activities, including:
    - (a) logistical planning and coordination; and
    - (b) the sharing of data and information associated with Arctic research, subject to section 552 of title 5, United States Code.
- (b) Not later than January 31, 1986, and biennially thereafter, the Interagency Committee shall submit to the Congress through the President a report concerning:
- (1) its activities and accomplishments since its last report; and
  - (2) the activities of the Commission, detailing with particularity the recommendations of the Commission with respect to Federal activities in Arctic research.

**Sec. 10. Public Participation.** The Interagency Committee will provide public notice of its meetings and an opportunity for the public to participate in the development and

implementation of national Arctic research policy.

**Sec. 11. Administration of Interagency Committee.** Each agency represented on the Committee shall, to the extent permitted by law and subject to the availability of funds, provide the Committee with such administrative services, facilities, staff, and other support services as may be necessary for effective performance of its functions.

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Last updated December 10, 2001

## Appendix C: Arctic Research and Policy Act, As Amended

PUBLIC LAW 98-373 - July 31, 1984; amended as  
PUBLIC LAW 101-609 - November 16, 1990

### An Act

To provide for a comprehensive national policy dealing with national research needs and objectives in the Arctic.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:*

### TITLE I-ARCTIC RESEARCH AND POLICY

#### SHORT TITLE

SEC. 101. This title may be cited as the "Arctic Research and Policy Act of 1984, as amended".

#### FINDINGS AND PURPOSES

SEC. 102(a) The Congress finds and declares that—

(1) the Arctic, onshore and offshore, contains vital energy resources that can reduce the Nation's dependence on foreign oil and improve the national balance of payments;

(2) as the Nation's only common border with the Soviet Union, the Arctic is critical to national defense;

(3) the renewable resources of the Arctic, specifically fish and other seafood, represent one of the Nation's greatest commercial assets;

(4) Arctic conditions directly affect global weather patterns and must be understood in order to promote better agricultural management throughout the United States;

(5) industrial pollution not originating in the Arctic region collects in the polar air mass, has the potential to disrupt global weather patterns, and must be controlled through international cooperation and consultation;

(6) the Arctic is a natural laboratory for research into human health and adaptation, physical and psychological, to climates of extreme cold and isolation and may provide information crucial for future defense needs;

(7) atmospheric conditions peculiar to the Arctic make the Arctic a unique testing ground for research into high latitude communications, which is likely to be crucial for future defense needs;

(8) Arctic marine technology is critical to cost-effective recovery, and transportation of energy resources and to the national defense;

(9) the United States has important security, economic, and environmental interests in developing and maintaining a fleet of icebreaking vessels capable of operating effectively in the heavy ice regions of the Arctic;

(10) most Arctic-rim countries, particularly the Soviet Union, possess Arctic technologies far more advanced than those currently available in the United States;

(11) Federal Arctic research is fragmented and uncoordinated at the present time, leading to the neglect of certain areas of research and to unnecessary duplication of effort in other areas of research;

(12) improved logistical coordination and support for Arctic research and better dissemination of research data and information is necessary to increase the efficiency and utility of national Arctic research efforts;

(13) a comprehensive national policy and program plan to organize and fund currently neglected scientific research with respect to the Arctic is necessary to fulfill national objectives in Arctic research;

(14) the Federal Government, in cooperation with State and local governments, should focus its efforts on the collection and characterization of basic data related to biological, materials, geophysical, social, and behavioral phenomena in the Arctic;

(15) research into the long-range health, environmental, and social effects of development in the Arctic is necessary to mitigate the adverse consequences of that development to the land and its residents;

(16) Arctic research expands knowledge of the Arctic, which can enhance the lives of Arctic residents, increase opportunities for international cooperation among Arctic-rim countries, and facilitate the formulation of national policy for the Arctic; and

(17) the Alaskan Arctic provides an essential habitat for marine mammals, migratory waterfowl, and other forms of wildlife which are important to the Nation and which are essential to Arctic residents.

(b) The purposes of this title are—

(1) to establish national policy, priorities, and goals and to provide a Federal program plan for basic and applied scientific research with respect to the Arctic, including natural resources and materials, physical, biological and health sciences, and social and behavioral sciences;

(2) to establish an Arctic Research Commission to promote Arctic research and to recommend Arctic research policy;

(3) to designate the National Science Foundation as the lead agency responsible for implementing Arctic research policy; and

(4) to establish an Interagency Arctic Research Policy Committee to develop a national Arctic research policy and a five year plan to implement that policy.

#### ARCTIC RESEARCH COMMISSION

SEC. 103(a) The President shall establish an Arctic Research Commission (hereinafter referred to as the "Commission").

(b)(1) The Commission shall be composed of seven members appointed by the President, with the Director of the National Science Foundation serving as a nonvoting, ex officio member. The members appointed by the President shall include—

(A) four members appointed from among individuals from academic or other research institutions with expertise in areas of research relating to the Arctic, including the physical, biological, health, environmental, social and behavioral sciences;

(B) one member appointed from among indigenous residents of the Arctic who are representative of the needs and interests of Arctic residents and who live in areas directly affected by Arctic resource development; and

(C) two members appointed from among individuals familiar with the Arctic and representative of the needs and interests of private industry undertaking resource development in the Arctic.

(2) The President shall designate one of the appointed members of the Commission to be chairperson of the Commission.

(c)(1) Except as provided in paragraph (2) of this subsection, the term of office of each member of the Commission appointed under subsection (b)(1) shall be four years.

(2) Of the members of the Commission originally appointed under subsection (b)(1)—

(A) one shall be appointed for a term of two years;

(B) two shall be appointed for a term of three years; and

(C) two shall be appointed for a term of four years.

(3) Any vacancy occurring in the membership of the Commission shall be filled, after notice of the vacancy is published in the Federal Register, in the manner provided by the preceding provisions of this section, for the remainder of the unexpired term.

(4) A member may serve after the expiration of the member's term of office until the President appoints a successor.

(5) A member may serve consecutive terms beyond the member's original appointment.

(d)(1) Members of the Commission may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code. A member of the Commission not presently employed for compensation shall be compensated at a rate equal to the daily equivalent of the rate for GS-18 of the General Schedule under section 5332 of title 5, United States Code, for each day the member is engaged in the actual performance of his duties as a member of the Commission, not to exceed 90 days of service each year. Except for the purposes of chapter 81 of title 5 (relating to compensation for work injuries) and chapter 171 of title 28 (relating to tort claims), a member of the Commission shall not be considered an employee of the United States for any purpose.

(2) The Commission shall meet at the call of its Chairman or a majority of its members.

(3) Each Federal agency referred to in section 107(b) may designate a representative to participate as an observer with the Commission. These representatives shall report to and advise the Commission on the activities relating to Arctic research of their agencies.

(4) The Commission shall conduct at least one public meeting in the State of Alaska annually.

## DUTIES OF THE COMMISSION

### SEC. 104(a) The Commission shall—

- (1) develop and recommend an integrated national Arctic research policy;
- (2) in cooperation with the Interagency Arctic Research Policy Committee established under section 107, assist in establishing a national Arctic research program plan to implement the Arctic research policy;
- (3) facilitate cooperation between the Federal Government and State and local governments with respect to Arctic research;
- (4) review Federal research programs in the Arctic and recommend improvements in coordination among programs;
- (5) recommend methods to improve logistical planning and support for Arctic research as may be appropriate and in accordance with the findings and purposes of this title;
- (6) recommend methods for improving efficient sharing and dissemination of data and information on the Arctic among interested public and private institutions;
- (7) offer other recommendations and advice to the Interagency Committee established under section 107 as it may find appropriate;
- (8) cooperate with the Governor of the State of Alaska and with agencies and organizations of that State which the Governor may designate with respect to the formulation of Arctic research policy;
- (9) recommend to the Interagency Committee the means for developing international scientific cooperation in the Arctic; and
- (10) not later than January 31, 1991, and every 2 years thereafter, publish a statement of goals and objectives with respect to Arctic research to guide the Interagency Committee established under section 107 in the performance of its duties.

(b) Not later than January 31 of each year, the Commission shall submit to the President and to the Congress a report describing the activities and accomplishments of the Commission during the immediately preceding fiscal year.

## COOPERATION WITH THE COMMISSION

SEC. 105(a)(1) The Commission may acquire from the head of any Federal agency unclassified data, reports, and other nonproprietary information with respect to Arctic research in the possession of the

agency which the Commission considers useful in the discharge of its duties.

(2) Each agency shall cooperate with the Commission and furnish all data, reports, and other information requested by the Commission to the extent permitted by law; except that no agency need furnish any information which it is permitted to withhold under section 522 of title 5, United States Code.

(b) With the consent of the appropriate agency head, the Commission may utilize the facilities and services of any Federal agency to the extent that the facilities and services are needed for the establishment and development of an Arctic research policy, upon reimbursement to be agreed upon by the Commission and the agency head and taking every feasible step to avoid duplication of effort.

(c) All Federal agencies shall consult with the Commission before undertaking major Federal actions relating to Arctic research.

## ADMINISTRATION OF THE COMMISSION

### SEC. 106. The Commission may—

- (1) In accordance with the civil service laws and subchapter III of chapter 53 of title 5, United States Code, appoint and fix the compensation of an Executive Director and necessary additional staff personnel, but not to exceed a total of seven compensated personnel;
- (2) procure temporary and intermittent services as authorized by section 3109 of title 5, United States Code;
- (3) enter into contracts and procure supplies, services and personal property;
- (4) enter into agreements with the General Services Administration for the procurement of necessary financial and Administrative services, for which payment shall be made by reimbursement from funds of the Commission in amounts to be agreed upon by the Commission and the Administrator of the General Services Administration; and
- (5) appoint, and accept without compensation the services of, scientists and engineering specialists to be advisors to the Commission. Each advisor may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code. Except for the purposes of chapter 81 of title 5 (relating to compensation for work injuries) and chapter 171 of

title 28 (relating to port claims) of the United States Code, an advisor appointed under this paragraph shall not be considered an employee of the United States for any purpose.

**LEAD AGENCY AND INTERAGENCY ARCTIC RESEARCH POLICY COMMITTEE**

**SEC. 107(n)** The National Science Foundation is designated as the lead agency responsible for implementing Arctic research policy, and the Director of the National Science Foundation shall insure that the requirements of section 108 are fulfilled.

(b)(1) The President shall establish an Interagency Arctic Research Policy Committee (hereinafter referred to as the "Interagency Committee").

(2) The Interagency Committee shall be composed of representatives of the following Federal agencies or offices:

- (A) the National Science Foundation;
- (B) the Department of Commerce;
- (C) the Department of Defense;
- (D) the Department of Energy;
- (E) the Department of the Interior;
- (F) the Department of State;
- (G) the Department of Transportation;
- (H) the Department of Health and Human Services;
- (I) the National Aeronautics and Space Administration;
- (J) the Environmental Protection Agency; and
- (K) any other agency or office deemed appropriate.

(3) The representative of the National Science Foundation shall serve as the Chairperson of the Interagency Committee.

**DUTIES OF THE INTERAGENCY COMMITTEE**

**SEC. 108(a)** The Interagency Committee shall—

(1) survey Arctic research conducted by Federal State, and local agencies, universities, and other public and private institutions to help determine priorities for future Arctic research, including natural resources and materials, physical and biological sciences, and social and behavioral sciences;

(2) work with the Commission to develop and establish an integrated national Arctic research policy that will guide Federal agencies in

developing and implementing their research programs in the Arctic;

(3) consult with the Commission on—

(A) the development of the national Arctic research policy and the 5-year plan implementing the policy;

(B) Arctic research programs of Federal agencies;

(C) recommendations of the Commission on future Arctic research; and

(D) guidelines for Federal agencies for awarding and Administering Arctic research grants;

(4) develop a 5-year plan to implement the national policy, as provided in section 109;

(5) provide the necessary coordination, data, and assistance for the preparation of a single integrated, coherent, and multiagency budget request for Arctic research as provided for in section 110;

(6) facilitate cooperation between the Federal Government and State and local governments in Arctic research, and recommend the undertaking of neglected areas of research in accordance with the findings and purposes of this title;

(7) coordinate and promote cooperative Arctic scientific research programs with other nations, subject to the foreign policy guidance of the Secretary of State;

(8) cooperate with the Governor of the State of Alaska in fulfilling its responsibilities under this title;

(9) promote Federal interagency coordination of all Arctic research activities, including—

(A) logistical planning and coordination; and

(B) the sharing of data and information associated with Arctic research, subject to section 552 of title 5, United States Code; and

(10) provide public notice of its meetings and an opportunity for the public to participate in the development and implementation of national Arctic research policy.

(b) Not later than January 31, 1986, and biennially thereafter, the Interagency Committee shall submit to the Congress through the President, a brief, concise report containing—

(1) a statement of the activities and accomplishments of the Interagency Committee since its last report; and

(2) a statement detailing with particularity the recommendations of the Commission with respect to Federal interagency activities in Arctic research

and the disposition and responses to those recommendations.

#### 5-YEAR ARCTIC RESEARCH PLAN

SEC. 109(a) The Interagency Committee, in consultation with the Commission, the Governor of the State of Alaska, the residents of the Arctic, the private sector, and public interest groups, shall prepare a comprehensive 5-year program plan (hereinafter referred to as the "Plan") for the overall Federal effort in Arctic research. The Plan shall be prepared and submitted to the President for transmittal to the Congress within one year after the enactment of this Act and shall be revised biennially thereafter.

(b) The Plan shall contain but need not be limited to the following elements:

(1) an assessment of national needs and problems regarding the Arctic and the research necessary to address those needs or problems;

(2) a statement of the goals and objectives of the Interagency Committee for national Arctic research;

(3) a detailed listing of all existing Federal programs relating to Arctic research, including the existing goals, funding levels for each of the 5 following fiscal years, and the funds currently being expended to conduct the programs;

(4) recommendations for necessary program changes and other proposals to meet the requirements of the policy and goals as set forth by the Commission and in the Plan as currently in effect; and

(5) a description of the actions taken by the Interagency Committee to coordinate the budget review process in order to ensure interagency coordination and cooperation in (A) carrying out Federal Arctic research programs, and (B) eliminating unnecessary duplication of effort among these programs.

#### COORDINATION AND REVIEW OF BUDGET OF BUDGET REQUESTS

SEC. 110(a) The Office of Science and Technology Policy shall--

(1) review all agency and department budget requests related to the Arctic transmitted pursuant to section 108(a)(5), in accordance with the national Arctic research policy and the 5-year program under section 108(a)(2) and section 109, respectively; and

(2) consult closely with the Interagency Committee and the Commission to guide the Office of Technology Policy's efforts.

(b)(1) The Office of Management and Budget shall consider all Federal agency requests for research related to the Arctic as one integrated, coherent, and multiagency request, which shall be reviewed by the Office of Management and Budget prior to submission of the President's annual budget request for its adherence to the Plan. The Commission shall, after submission of the President's annual budget request, review the request and report to Congress on adherence to the Plan.

(2) The Office of Management and Budget shall seek to facilitate planning for the design, procurement, maintenance, deployment and operations of icebreakers needed to provide a platform for Arctic research by allocating all funds necessary to support icebreaking operations, except for recurring incremental costs associated with specific projects, to the Coast Guard.

#### AUTHORIZATION OF APPROPRIATIONS; NEW SPENDING AUTHORITY

SEC. 111(a) There are authorized to be appropriated such sums as may be necessary for carrying out this title.

(b) Any new spending authority (within the meaning of section 401 of the Congressional Budget Act of 1974) which is provided under this title shall be effective for any fiscal year only to such extent or in such amounts as may be provided in appropriation Acts.

#### DEFINITION

SEC. 112. As used in this title, the term "Arctic" means all United States and foreign territory north of the Arctic Circle and all United States territory north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers; all contiguous seas, including the Arctic Ocean and the Beaufort, Bering and Chukchi Seas; and the Aleutian chain.

**HB**

**27**

# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS:

JUDICIARY COMMITTEE, CHAIRMAN  
LABOR & COMMERCE COMMITTEE, MEMBER  
LEGISLATIVE COUNCIL, MEMBER  
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &  
TOURISM, MEMBER

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SESSION:  
ALASKA STATE CAPITOL  
JUNEAU, AK 99801-1182  
PHONE: (907) 465-4968  
FAX: (907) 465-2040

## Representative Norman Rokeberg

e-mail: [Representative\\_Norman\\_Rokeberg@legis.state.ak.us](mailto:Representative_Norman_Rokeberg@legis.state.ak.us)  
**SPONSOR STATEMENT FOR CSHB 27 (FIN)**

**TITLE:** An Act relating to the registration of individuals who perform home inspectors; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; and providing for an effective date.

CSHB 27 (FIN) will protect consumers and the home inspection industry by requiring registration of home inspectors in Alaska.

Currently, anyone can call himself or herself a home inspector and there is no state agency overseeing the industry. Consumers desire assurance that the home inspector they hire is competent, and that they have recourse against inspectors that are not. CSHB 27 (FIN) accomplishes this by establishing registration requirements, qualifications, insurance, and proof of competency via examination and continuing education. Home inspectors will also be required to provide consumers with an inspection report.

A faulty inspection could have serious consequences for consumers, practically when they are buying or selling a home. Common sense dictates that home inspectors must be held accountable for their work. This limits legal actions against a registered home inspector to a written home inspector report that is not more than 180 days old and/or unlawfully disclosed.

For ease of administration and in order to keep costs at a minimum, home inspectors are added to the statutes concerning specialty contractors. Clarifying language is inserted in the statutes as necessary.

I would urge your support for this legislation.

ED4:03/28/02

# ALASKA STATE LEGISLATURE

## House of Representatives

### COMMITTEE ASSIGNMENTS:

JUDICIARY COMMITTEE, CHAIRMAN  
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## Representative Norman Rokeberg

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### SECTIONAL ANALYSIS

#### CSHB 27 (FIN),

An Act relating to the registration of individuals who perform home inspections; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; and providing for an effective date.

Prepared by Representative Norman Rokeberg

- Section 1:** Amends AS 08.01.010 [Centralized Licensing, Applicability of Chapter] to add reference to home inspectors.
- Section 2:** Amends AS 08.01.065(c) [Centralized Licensing, Establishment of Fees] to add reference to new subsection in Section 3.
- Section 3:** Amends 08.01.065 [Centralized Licensing, Establishment of Fees] to require that the fees established for AS 08.18 [Construction Contractors] so that fee levels for specialty contractors, home inspectors, and associate home inspectors shall equal total regulatory costs for these three categories. Fee for home inspector, associate home inspector, and joint license shall be the same.
- Section 4:** Amends 08.18.011 [Construction Contractors, Registration required] to make clarifying amendments concerning contractor registration.
- Section 5:** Amends 08.18.011 [Construction Contractors, Registration required] to require registration for home inspectors and associate home inspectors. Associate home inspector is to be employed by a registered home inspector who will be liable for the associate's work. Clarifies that an individual holding a joint registration for home inspection is considered to be registered as both a home inspector for new homes and existing homes.
- Section 6:** Amends AS 08.18.021(a) [Construction Contractors, Application for registration] to insert language concerning home inspector registration and to clarify requirements for home inspectors and contractors. Correction reference to "employer" social security number in the current statute to the "applicant's" social security number.
- Section 7:** Adds new sections to AS 08.18 [Construction Contractors] as follows:
- Section 08.18.022.** Home inspectors; associate home inspectors. Sets forth examination requirements, education and experience requirements, and application requirements for registration as a home inspector or associate home inspector.

**Section 08.18.023. Pre-inspection documents and inspection reports.** Establishes the procedure for pre-inspection documents and inspection reports. Sets forth the items to be included in the report and requires a written report. Indicates that an oral inspection report may be given by a home inspector during or after the inspection. Sets the validity period of the inspection report as six months.

- Section 8:** Amends AS 08.18.031(a) [Construction Contractors, Certificate of Registration] to clarify the renewal of home inspector registrations.
- Section 9:** Adds new section to 08.18.031 [Construction Contractors, Certificate of Registration]. Sets forth the renewal procedure for a home inspector registration. Permits the Department to adopt regulations concerning continuing competency requirements. Indicates that regulations must provide that a continuing competency activity approved by one of the following entities satisfies the continuing competency requirements if the activity meets the Department's requirements: Alaska Housing Finance Corporation, University of Alaska, American Society of Home Inspectors Alaska Chapter, a chapter of the International Conference of Building Officials Alaska, Alaska State Homebuilders Association, or a state agency whose activity meets the Department requirements.
- Section 10:** Amends 08.18.041 [Construction Contractors, Fees] to permit the Department to establish fees for registration of home inspectors, associate home inspectors, renewal of registration, and examinations.
- Section 11:** Amends 08.18.051(a) [Construction Contractors, Identification requirements] to clarify that this subsection applies to contractors.
- Section 12:** Adds new section to AS 08.18 [Construction Contractors] to provide identification requirements for home inspectors. Includes that a home inspector or associate home inspector registered under one name may not act under another name; sets forth advertising requirements; establishes that "registered home inspector" may only be used by individuals registered with the Department as a home inspector.
- Section 13:** Amends AS 08.18.061 [Construction Contractors, Requirements of political subdivision] to add reference to home inspectors.
- Section 14:** Amends AS 08.18.071 [Construction Contractors, Bond required]. Adds home inspection activity to this section.
- Section 15:** Amends AS 08.18.071(b) [Construction Contractors, Bond required]. Adds home inspectors to the \$5,000 bond requirement. Cash deposit or other negotiable security acceptable to the commissioner may be used in lieu of bond.
- Section 16:** Amends AS 08.18.081(a) [Construction Contractors, Claims against contractor]. Adds qualifying language referring to Section 17. Adds home inspector to this section.
- Section 17:** Adds new section to AS 08.18 [Construction Contractors]. Legal actions against home inspector. Sets out provisions concerning legal actions against a home inspector. Actions must be commenced within two years from the date of the inspection report on new homes and one year on existing homes. Limitations of this section may not be waived by contract. Home inspector or associate home inspector not liable to person if person is not a party to the transaction or is unlawfully in receipt of home inspection report. Contractual provisions that purport to limit liability of home inspector to cost of home inspection report are contrary to public policy and void.

- Section 18:** Amends AS 08.18.111 [Construction Contractors, Advertising bond and insurance]. Adds home inspectors to this section.
- Section 19:** Amends AS 08.18.115 [Construction Contractors, Return of cash deposit]. Adds provisions for home inspector who ceases doing business to have any cash deposit in lieu of bond returned.
- Section 20:** Amends AS 08.18.116 [Construction Contractors, Investigations] to provide that the Department of Community and Economic Development is the agency to investigate alleged or apparent violations against home inspectors.
- Section 21:** Amends AS 08.18.117 [Construction Contractors, Issuance of citations] to provide that the Department of Community and Economic Development may issue citations for violations with regard to home inspectors.
- Section 22:** Amends AS 08.18.121(a) [Construction Contractors, Suspension and revocation of registration] to add home inspector to provisions indicating that if insurance under AS 08.18.101 (worker's compensation, property and liability) is not in effect, the registration is suspended until such time the insurance is reinstated.
- Section 23:** Amends AS 08.18.121(b) [Construction Contractors, Suspension and revocation of registration] to add home inspector to provisions indicating that if any final judgment impairs the liability of the surety bond or depletes any cash deposit that registration is suspended until bond liability in required amount, unimpaired by unsatisfied judgment claims, has been furnished.
- Section 24:** Amends AS 08.18.121 (c) [Construction Contractors, Suspension and revocation of registration] to add home inspector to provisions indicated that if a bonding company cancels the bond, the registration shall be revoked. Registration may be regained by again complying with bonding requirements.
- Section 25:** Amends AS 08.18.121(d) [Construction Contractors, Suspension and revocation of registration] to add home inspectors to the provisions concerning suspension for failure to follow 08.18.071. Further provides that if a bond is suspended three times, the commissioner may permanent revoke registration.
- Section 26:** Amends AS 08.18.121(f) [Construction Contractors, Suspension and revocation of registration] to provisions concerning violations and the authority of the Department of Commerce and Economic Development with regard to home inspectors.
- Section 27:** Amends AS 08.18.131 [Construction Contractors, Injunction] to add reference to civil penalty. Further adds reference to ability of Department to enjoin person who is violating home inspectors statutes from acting in that capacity.
- Section 28:** Amends AS 08.18.141(a) [Violations] to include home inspector. Those violating 08.18.011 [Registration required] or 08.18.025 [Residential contractors] may be guilty of class B misdemeanor; other violations of this chapter are punishable under AS 12.
- Section 29:** Amends AS 08.18.151 [Construction Contractors, Legal actions by contractor] to add reference to home inspectors.
- Section 30:** Amends AS 08.18 [Construction Contractors] to add new sections as follows:

- a. **08.18.152 Prohibited acts for home inspectors.** Sets out the acts which home inspectors may not do, such as: repairs to subject property for additional fees; inspect property for a fee in which home inspector has a financial interest; offer rewards or compensation for business referrals; without written consent of client, disclose information from a home inspection report unless to a subsequent client who requests an inspection on the same premises or in a judicial action; accept compensation from more than one party for the same home inspection; accept commission; accept engagement for home inspection based on outcome of inspection report.
- b. **08.18.154 Limitation on home inspector's activities.** Sets for limitation on activities.
- c. **08.18.156. Exemptions related to home inspectors:** Exempts following from registering as a home inspector or association home inspector in order to inspect a home: federal, state or local government employee performing duties within scope of office; inspecting own home or one in which person has a financial interest; registered engineer or architect who affixes seal or signs reports and puts registration number on report; engineer or architect in training supervised by registered engineer or architect; pesticide applicator performing duties in scope of license issued by Department of Environmental Conservation; general contractor with residential contractor endorsement performing activities within scope of that registered; real estate appraiser performing those duties; determining if thermal and lighting energy standards are being met. Established that the definition of "home inspection" does not include repairing, maintaining, or installing systems or components listed in new 08.18.171(12) and inspects those systems or components in order to perform or offer repair, maintenance or installation work on those items.

- Section 31:** Amends 08.18.161 [Construction Contractors, Exemptions] to add qualifying reference to contractors.
- Section 32:** Amends AS 08.18.171 [Construction Contractors, Definitions] to add definitions for: existing home, home inspection, home inspector, joint registration, knowingly, new home, residence, and visual examination.
- Section 33:** Amends AS 18.56.300(b) [Alaska Housing Finance Corporation, Construction standards for housing eligible for purchase of loans] current AHFC statute requiring a home inspection before certain loan commitments are made by AHFC. Adds registered home inspectors to list of people qualified to accomplish an inspection and eliminates the distinction in current law for rural areas, thus allowing an architect, engineer, or other person approved by AHFC to qualify as a home inspector under the AHFC statute for all homes, not just those in rural areas.
- Section 34:** Amends same AHFC statute described in Section 33 [Alaska Housing Finance Corporation, Construction standards for housing eligible for purchase of loans], but amendment does not take effect until January 1, 2005, so is set out separately. Would eliminate persons certified by the ICBO and IA.EA from being qualified to do the AHFC inspections referred to in AS 18.56.300(b) as these individuals would now be under the home inspector license requirements.
- Section 35:** Amends AS 36.30.050(b) [State procurement code, Lists of contractors] to add qualifying language concerning contractors.
- Section 36:** Amends 36.30.115(a) [State procurement code, subcontractors for construction contracts] to add clarifying references to contractors.

- Section 37:** Amends 36.30.210 [State procurement code, Request for proposals] to add clarifying reference to contractors.
- Section 38:** Amends AS 36.90.290(1) [State procurement code, definition] adds qualifying language to definition of "prime contractor".
- Section 39:** Amends AS 45.50.471(b) [Competitive Practices and Regulations of Competition, unlawful acts and practices] to bring violations of 08.18.023(b) [inspection reports] and 08.18.152 [prohibited acts for home inspectors] under unfair trade practice statutes.
- Section 40:** Repeals AS 18.56.300(c) [Alaska Housing Finance Corporation, construction standards for housing eligible for purchase of loans] effective July 1, 2004 (see Section 46).
- Section 41:** **Applicability:** Change made in Section 40 applies to causes of action that accrue on or after July 1, 2004.
- Section 42:** **Regulations:** Permits Department to proceed to adopt regulations regarding home inspectors.
- Section 43:** Provides for transitional licensing.
- Section 44:** Effective date for certain provisions of the legislation.
- Section 45:** Section 34 effective date is January 1, 2005.
- Section 46:** Sections 40 and 41 take effect July 1, 2004.
- Section 47:** Immediate effective date for remainder of legislation except as provided for in sections 44-46.

**Sec. 18.56.300. Construction standards for housing eligible for purchase of loans.**

(a) The corporation may not make or purchase a housing loan for residential housing the construction of which begins after June 30, 1992, unless the seller of the mortgage loan complies with the provisions of this section and unless

(1) the unit is in compliance with the construction codes of the municipality, if the unit is located within a municipality that has adopted and enforces construction codes and each of those codes meets or exceeds the comparable standards for similar housing established by the state building code; or

(2) the unit is in compliance with the comparable standards for similar housing established by the state building code

(A) if the unit is located

(i) within a municipality whose construction codes do not meet the standards for similar housing established by the state building code;

(ii) within a municipality that does not enforce construction codes; or

(iii) outside a municipality; or

(B) as to each specific code within the construction codes of the municipality that has adopted and enforces construction codes if the specific code does not meet or exceed the comparable standard for similar housing established by the state building code.

(b) As a condition of a commitment to purchase or approve a loan under this section for residential housing the construction of which begins after June 30, 1992, the corporation shall require inspection of the unit of residential housing that is the subject of the loan. The inspection must be performed by a municipal building inspector, by a person who is approved or certified to perform residential inspections by the International Conference of Building Officials or the International Association of Electrical Inspectors, or, when the unit of residential housing is located in a rural area, by an architect licensed under AS 08.48, by an engineer licensed under AS 08.48, or by another person approved by the corporation. When the unit of residential housing is located in a rural area, the person who makes the inspection may use methods other than a personal physical inspection to make the inspection if the method is approved by the corporation, and variations from the applicable code may be accepted at the corporation's discretion, if the person authorized to inspect the unit under this subsection satisfies the corporation that the variation does not adversely affect the structural integrity of the unit or the health and safety of the residents. The person who makes the inspection shall determine whether the construction conforms to relevant provisions of the construction codes of the municipality or of the state building code, as applicable, at each of the following stages of construction:

- (1) plan approval;
- (2) completion of footings and foundations;
- (3) completion of electrical installation, plumbing, and framing;
- (4) completion of installation of insulation;
- (5) final approval.

(c) A person may not bring an action for damages based on a duty imposed by (b) of this section to inspect a residential unit unless the action is for damages caused by gross negligence or intentional misconduct.

(d) This section does not apply to a nonconforming housing loan made or purchased by the corporation.

(e) In this section,

(1) "construction codes" means, with reference to a municipality, the building, mechanical, plumbing, and electrical codes, or any of them that have been adopted and are enforced by the municipality;

(2) "rural area" means a community with a population of 5,500 or less that is not connected by road or rail to Anchorage or Fairbanks;

(3) "state building code" means

(A) for building standards, the standards set out in the version of the Uniform Building Code adopted by the Department of Public Safety under AS 18.70.080, including the provisions of that code applicable to buildings used for residential purposes containing fewer than four dwelling units, notwithstanding the exclusion of those buildings from the Department of Public Safety's jurisdiction made by AS 18.70.080(a)(2);

(B) for mechanical standards, the standards set out in the version of the Uniform Mechanical Code adopted by the Department of Public Safety under AS 18.70.080, including the provisions of that code applicable to buildings used for residential purposes containing fewer than four dwelling units, notwithstanding the exclusion of those buildings from the Department of Public Safety's jurisdiction made by AS 18.70.080(a)(2);

(C) for plumbing standards, the minimum plumbing code adopted for the state under AS 18.60.705; and

(D) for electrical standards, the minimum electrical standards prescribed by AS 18.60.580.

(§ 2 ch 85 SLA 1990; am § 1 ch 29 SLA 1991; am §§ 1, 2 ch 52 SLA 1991; am § 99 ch 4 FSSLA 1992; am §§ 1, 2 ch 81 SLA 1994; am § 1 ch 2 SLA 1996)

**Revisor's notes.** Paragraph (e)(2) was enacted as (e)(3). Renumbered in 1994, at which time former (e)(2) was renumbered as (e)(3).


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## Existing State Home Inspector Regulatory Legislation

**Alabama Registration (Act 96-574) enacted in 1996.** Under the "Alabama Home Inspectors Registration Act," home inspectors must show proof of liability insurance and show evidence of one of the following: 1) membership in and adherence to the ethical standards of ASHI or an equivalent professional body; 2) current approval or certification the United States Veterans Administration, the United States Department of Housing and Urban Development, the Southern Building Code Congress International, or the Council American Building Officials; 3) a high school diploma or its equivalent, work experience at least one year as a home inspector, and completion of at least 100 home inspections compensation; or 4) current licensure in Alabama as a general contractor, architect, structural engineer, or residential home builder. Under the law, home inspectors are also required to carry liability insurance.

For more information, contact the Secretary of State, Home Inspectors, at (334) 242-721

To download the law go to:

<http://www.legislature.state.al.us/CodeofAlabama/1975/coatoc.htm>, click on Title 34, the Chapter 14B.

**Arizona Registration (Chapter 1, Sec. 5, Title 32) enacted in 2000.** Under the Arizona Home Inspector Registration Act, registration requirements for home inspectors are administered by the State Board of Technical Registration (SBTR). The law establishes process and requirements for registration and registration renewal as a home inspector. In addition, the law requires that registered home inspectors have one of the following financial assurances: a. Errors and Omissions in the amount of \$200,000 in the aggregate and \$100,000 per occurrence; b. \$25,000 bond; or c. Financial assurance mechanism with a value of at least \$25,000. The law states that a failure to obtain, or loss of, financial assurance is grounds for revocation of registration. The law allows a practicing home inspector to present evidence of sufficient experience to not have to obtain training or pass an exam through December 31, 2002. Exempts individuals from course study requirements for registration who can provide evidence to the SBTR that they have performed 250 or more home inspections for compensation.

For more information, contact State Board of Technical Registration, (602) 255-4053, (602) 255-4051 fax.

To download the law go to: <http://www.btr.state.az.us/> and click "Legislative Updates," click "Senate Bill 1132." To download the Rules, click "Applicable Statutes" and then "Statute Governing the AZ BTR effective Aug. 8, 2001."

**Arkansas Registration (Act 791 of 1997) enacted in 1997.** Under the "Arkansas Home Inspector Registration Act," all home inspectors in the state must register with the Secretary of State. In addition, home inspectors must conduct all inspections in adherence to the Standards of Practice and Code of Ethics of ASHI, the Arkansas Association of Real Estate Inspectors, or an equivalent professional home inspection association. The law also prohibits inspectors from performing repairs on a structure that he has inspected within the last 12 months. In order to register under the law, an applicant must procure general liability

insurance of at least \$100,000 and, if applicable, workers compensation insurance coverage. Home inspectors must also demonstrate a positive net worth, or provide a \$10,000 bond payable to the Secretary of State.

For more information, contact Secretary of State, Division of Corporations  
(501) 682-3409  
(501) 682-3437 f  
<http://www.sosweb.state.ar.us/business.html>

To download the law go to: [http://www.ark-homeinspectors.com/law\\_formatted.htm](http://www.ark-homeinspectors.com/law_formatted.htm).

**California Trade practice act (Chapter 338) enacted in 1996.** The law in California prohibits unethical home inspection practices, including repairing properties that home inspectors have inspected in the previous 12 months. The law encourages courts to consider the Standards of Practice and Code of Ethics of ASHI and the California Real Estate Inspection Association when determining whether an inspection meets the required standard of care.

For more information, contact the License Board  
(916) 255-3900

To download the law go to:  
<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=bpc&group=07001-08000&file=7>

**Connecticut Licensure (Chapter 400F enacted in 1999).** Connecticut law requires home inspectors to be licensed under the "Home Inspection Licensing Board." In order to be eligible for a home inspector license, an applicant shall: 1) have successfully completed high school or its equivalent; 2) have either been engaged as a home inspector intern for not less than one year and not performed less than 200 home inspections for compensation or taken and successfully completed a board-approved training program, earned a home inspector intern permit, and performed not less than 100 home inspections under the direct supervision and in the presence of a licensed home inspector; 3) have passed an oral, written, or electronic competency examination; and 4) have paid a \$200 fee. In order to receive a permit as a home inspector intern, an applicant shall: 1) have successfully completed high school or its equivalent; 2) have enrolled in and completed a board-approved training program; 3) have an identified supervisor who is licensed as a home inspector, is in good standing, and has agreed to perform the supervisory function required; and 4) have paid a \$100 fee.

For more information, contact the Dept. of Consumer Protection, Licenses Service Division  
(860) 713-6000  
(860) 713-7239 f  
email: [licencse.services@po.state.ct.us](mailto:licencse.services@po.state.ct.us)

For Regulations, applications, etc. go to:  
<http://www.dcp.state.ct.us/licensing/professions.htm>

To download the law only go to: <http://www.cqa.state.ct.us/2001/pub/Chap400f.htm>

**Georgia Trade practice act (Chapter 3, Title 8) enacted in 1994.** Georgia law requires home inspectors to provide written documents containing certain information with regard to inspections. This written document must include the scope of the inspection, including the structural elements and systems to be inspected, that the inspection is a visual inspection and that the home inspector will notify, in writing, the person on whose behalf such inspection is being made of any defects noted during the inspection.

For more information, contact the Secretary of State, Construction Industry License Board  
(901) 207-1416  
(901) 207-1425 f  
<http://www.sos.state.ga.us/plb/construct/>

To download the law go to:

[www.state.ga.us/cgi-bin/pub/ocode/ocqsearch?docname=OCODE/G/8/3/330](http://www.state.ga.us/cgi-bin/pub/ocode/ocqsearch?docname=OCODE/G/8/3/330).

**Illinois Licensure (HB 1805) enacted in 2003.** Illinois legislation requires an individual acquire a license in order to conduct home inspections in Illinois. A Home Inspector Advisory Board, housed within the Office of Banks and Real Estate, will regulate home inspectors. The seven-member Advisory Board will be made up of five active and current licensed home inspectors, one licensed real estate broker, and one at-large member representing the general public. The seven members are to be appointed by the Board Commissioner. The law directs the Board to establish standards of practice, educational requirements and administrative requirements as they relate to the practice of home inspection. Home inspectors will be required to take an examination, approved by the Board, thereby establishing a minimum standard of practice or competency. The Board be responsible for developing administrative rules to define and establish the education requirements (classroom/study hours), application and procedures for license renewal, as well as establishing any penalties or disciplinary actions for violating the terms of a license. The law becomes effective January 1, 2003.

For more information contact the Office of Banks and Real Estate  
(217)782-3000  
(217)524-5941 f  
[www.obre.state.il.us](http://www.obre.state.il.us).

To download the law go to:  
<http://www.legis.state.il.us/legisnet/legisnet92/hbgroups/hb/920HB1805eng.html>

**Louisiana Licensure (Chapter 17-A of Title 37) enacted in 1999.** Louisiana law creates the "Louisiana Home Inspectors Licensing Act." It creates the Louisiana State Board of Home Inspectors within the Department of Economic Development and requires the Board to establish minimum qualifications for licensing and allows the Board to charge and collect fees. Applicants must be at least 18 years old and must have successfully completed high school or its equivalent, and passed the required examination. Applicants must show evidence of successful completion of at least 120 hours of instruction, at least 30 hours no more than 40 of which must be in course work containing actual practical home inspections. Home inspectors are required to provide a written report of the home inspection, and are prohibited from, at the time of inspection and for a reasonable time thereafter, advertising or soliciting to perform repair services on the home upon which the inspection was performed. As a condition of renewal of a license, a home inspector must show evidence of completion of 20 hours of continuing education. Active licensees are required to carry errors and omission insurance, and the Board must establish a group insurance program.

For more information, contact the Louisiana State Board of Home Inspectors  
225-248-1334  
225-248-1335 fax  
1-866-244-1334.

To download the law go to:  
<http://la.realtorplace.com/Meetings/fallmtng98/agendas/homeinspectbill.htm>.

To download the Rules and Regulations of the Board go to: [www.lsbhi.com/documents](http://www.lsbhi.com/documents).

**Maryland Trade practice act enacted in 1992.** Maryland law requires home inspectors disclose professional qualifications and the scope of the inspection within the home inspection contract. The law also requires home inspectors to conduct home inspections in accordance with the standards of practice set forth by a professional home inspection trade association such as ASHI or the National Association of Home Inspectors.

**Licensure (Chapter 470) enacted in 2001.** Maryland law creates the State Commission on Real Estate Appraisers and Home Inspectors to regulate home inspectors in the state. The Commission is charged with establishing a code of ethics and standards of practice for licensed home inspectors, and providing a copy of such standards to each licensed home inspector. To qualify for licensure prior to July 1, 2002, an applicant must complete two

the following conditions: 1) complete a minimum of 48 hours of an on-site training course approved by a national home inspection organization of the Commission, 2) complete a minimum of 2 years of relevant work experience as determined by the Commission, 3) complete at least 100 home inspections for compensation, or 4) submit proof of full membership in or certification by ASHI or NAHI. Effective July 1, 2002, an applicant for a home inspector license shall: 1) have completed a minimum of 48 hours of an off-site training course, 2) have a high school diploma or its equivalent, 3) have general liability insurance in an amount not less than \$50,000, 4) submit an application sanctioned by the Commission, 5) pay the application fee of \$50 to the Commission. The law also exempts certain professionals from licensure as a home inspector while acting under the scope of their licenses, and provides a reciprocity provision for licensed home inspectors from other states.

For more information, contact the Division of Occupational & Professional Licensing  
(410) 230-6165  
(410) 323-6314 f  
[www.dlr.state.md.us/license/occprof/reappr.html](http://www.dlr.state.md.us/license/occprof/reappr.html)

To download the law go to: <http://mlis.state.md.us/2001rs/bills/hb/hb0379e.rtf>

**Massachusetts Licensure (Chapter 146) enacted in 1999.** Massachusetts law requires home inspectors and associate home inspectors to be licensed under the Board of Registration of Home Inspectors. The Board is required to: 1) establish the requirements for licensure and for the standards of professional and ethical conduct; 2) establish standards for continuing education; 3) authorize and conduct examinations; 4) grant licenses to qualified applicants; and 5) establish penalties. The law also requires that the Director of Office of Consumer Affairs and Business Regulation publish an informational brochure on home inspections which must be issued to home buyers at the signing of an offer to purchase. Licensed home inspectors must: 1) have successfully completed high school or its equivalent; 2) have been engaged as a licensed associate home inspector for not less than one year and have performed not less than 100 home inspections under the supervision of a licensed home inspector; 3) have passed a written or electronic competency examination; and 4) paid the appropriate fee. A licensed associate home inspector must: 1) have successfully completed high school or its equivalent; 2) have successfully completed a Board-approved training program; 3) have performed not less than 25 home inspections in the presence of a licensed home inspector; 4) have passed a written or electronic competency exam; 5) have an identified supervisor who is a person licensed in good standing as a home inspector; and 6) paid the appropriate fee. License holders for home inspectors and associate home inspectors must carry errors and omissions insurance in an amount not less than \$250,000. Also, a home inspector or associate home inspector may not attempt to limit liability for negligent or wrongful errors or omissions by use of a clause within a performance contract that limits the cost of damages from negligent or wrongful errors or omissions.

**Amendment to Current Law (Ch. 146 of 1999) enacted in 2001.** The amended section of the law (Chapter 17 of 2001) extends the time period during which the Board may issue a temporary license to an applicant seeking licensure as a home inspector. The law moves the effective date back to November 1, 2001 from May 1, 2001 and establishes the criteria under which a temporary license may be issued. A temporary license may be issued if: 1) an individual has been engaged in home inspection for not less than three years prior to the effective date and has performed at least 100 inspections for compensation, or 2) an individual has been engaged in the practice of home inspection for not less than one year prior to the effective date, and has performed at least 125 inspections for compensation. Temporary licenses shall terminate in 90 days, or whenever the applicant furnishes proof of having passed a licensing examination approved by the Board, whichever occurs first.

For more information, contact the Board of Registration of Home Inspectors  
(617) 727-9921  
(617) 727-2197 f  
[www.state.ma.us/req/boards/hi/](http://www.state.ma.us/req/boards/hi/)

To download the law go to: [www.state.ma.us/legis/laws/seslaw99/sl990146.htm](http://www.state.ma.us/legis/laws/seslaw99/sl990146.htm)

For Rules/Regulations of the Board go to: <http://www.state.ma.us/req/boards/hi/cmr.htm>

**Mississippi Licensure (Chapter 539) enacted in 2001.** Mississippi law requires home inspectors to be licensed by the Mississippi Real Estate Commission (Commission) and given the following powers: 1) receiving and approving applications for licensure and collecting fees, 2) implementing recommendations made by the Home Inspector Advisory Board, 3) adoption of a code of ethics and standards of practice, 4) developing a licensure exam which meets nationally recognized standards, as well as developing applications and licensing forms, 6) adopting rules and regulations for administering the law. The law also created a five person Home Inspector Regulatory Board (Board), members of which are licensed inspectors, and appointed by the Governor. The Board serves in an advisory capacity to the Commission, and was given the following duties and powers: 1) responsibility for matters relating to the code of ethics, standards and qualifications, 2) holding hearings and preparing examination specifications for licensure, 3) conducting investigations, 4) further defining regulation, educational and equivalent experience, and recommending suspension or revocation of licenses. To qualify for a license under this act a person must: 1) have successfully completed high school or attained an equivalency degree, 2) be at least 21 years old, 3) have successfully completed an approved course of study of at least 60 hours, which may include field work as required by the Commission, pass an examination prescribed by the Commission, and 5) provide a certificate of insurance for errors and omissions and general liability. Certain individuals acting under their profession or license are exempted from additional licensure by the Commission for "visual inspections"--specialty and general contractors, architects, engineers, financial institution employee, licensed real estate broker, appraiser or home builder. There is also a three-year limitation included for clients seeking to recover damages from an inspection reciprocity provision, and a grandfather clause included in the act.

For more information, contact the Real Estate Commission (Home Inspector Regulatory Board)  
(601) 932-9191  
<http://www.mrec.state.ms.us/>

To download the law go to:  
<http://billstatus.ls.state.ms.us/documents/2001/html/HB/0800-0899/HB0848SG.htm>

**Montana Trade Practice Act (Chapter 14, Title 30) enacted in 1999.** Montana law, the Home Inspection Trade Practices Act, prescribes what elements must be identified in a home inspection and defines prohibited activities by a home inspector.

For more information, contact the Office of Building Codes and Inspection  
(406) 444-3933  
(406) 444-2903 f

To download the law go to: <http://data.opi.state.mt.us/bills/BillHtml/SB0210.htm>

**Nevada Certification (Chapter 475) enacted in 1997.** Nevada law provides for the certification of home inspectors of structures by the Real Estate Division of the Department of Business and Industry. Applicants must submit proof that they have errors and omissions insurance of at least \$100,000 and general liability insurance of at least \$100,000. The law also provides that a purchaser may not recover damages from a seller on the basis of an error or omission in the disclosure form that was caused by the seller's reliance upon information provided to the seller by a certified inspector of real estate.

For more information, contact the Department of Business and Industry, Real Estate Division  
[http://red.state.nv.us/inspector/insp\\_home.htm](http://red.state.nv.us/inspector/insp_home.htm)  
(775) 687-4280  
(775) 687-4868 f

To download the law go to: [www.leg.state.nv.us/nrs/nrs-645d.html](http://www.leg.state.nv.us/nrs/nrs-645d.html) and  
[www.leg.state.nv.us/nac/nac-645d.html](http://www.leg.state.nv.us/nac/nac-645d.html)

**New Jersey Licensure (Chapter 8, Title 45) enacted in 1998.** New Jersey's "Home Inspection Professional Licensing Act," sets specific educational and experience requirements in order to become a licensed home inspector. All home inspectors are required to: 1) complete high school or its equivalent; 2) serve as a licensed associate inspector for at least one year; 3) perform at least 250 inspections; 4) carry \$500,000 in insurance; and 5) pass the ASHI exam. Inspectors do not have to be a member or candidate of ASHI in order to take the exam. In order to become a licensed associate home inspector under the law, an inspector must: 1) perform at least 50 inspections in the presence of a licensed inspector; and 2) pass the ASHI exam. Also, the law provides that if home inspectors fail to disclose problems or accept payment from another party in the transaction, they can lose their license. Home inspectors are regulated by a five-member Home Inspection Advisory Committee, housed under the State Board of Professional Engineers and Land Surveyors.

For more information, contact the Department of Law and Public Safety, Office of Consumer Protection  
(973) 504-6200  
(973) 504-3538 f  
[www.state.nj.us/lps/ca/nonmed.htm](http://www.state.nj.us/lps/ca/nonmed.htm)

To download the law go to: <http://www.state.nj.us/lps/ca/pels/histats.htm>

**North Carolina Licensure (Chapter 143) enacted in 1993.** The North Carolina "Home Inspection Licensure Act" provides for the licensing and regulation of home inspectors through the creation of a Home Inspector Licensure Board within the Department of Insurance. In order to become licensed as a home inspector, an individual must pass the licensing examination prescribed by the Board, have minimum net assets or a bond in an amount determined by the Board (not less than \$5,000 nor more than \$10,000) and meet certain educational conditions, including: 1) have a high school diploma or its equivalent and have been engaged as a licensed associate home inspector for at least one year, and have completed 100 home inspections for compensation; 2) have education and experience that the Board considers to be equivalent to that in subpart 1. above; or 3) be licensed as a general contractor, architect, or professional engineer. In order to become licensed as an associate home inspector, an individual must pass a licensing examination prescribed by the Board, have a high school diploma or its equivalent, and be affiliated with or intend to be affiliated with a licensed home inspector and submit a sworn statement by the licensed home inspector with whom the applicant is or intends to be affiliated certifying that the licensed home inspector will actively supervise and train the applicant.

For more information, contact the Inspector License Board  
(910) 715-0991  
[www.ncdoi.com/](http://www.ncdoi.com/)

Scroll down to Home Inspector Licensure Board

The General Statutes and the Administrative Code are meant to be used together.

To download Chapter 143 go to:  
<http://www.ncdoi.com/OSFM/Documents/Engineering/HILB/NCHILBStatutes.PDF>

To download the Administrative Code go to:  
[www.ncdoi.com/OSFM/Documents/Engineering/HILB/BoardRules2000.PDF](http://www.ncdoi.com/OSFM/Documents/Engineering/HILB/BoardRules2000.PDF)

**Oklahoma Licensure (Section 858-622 of Title 59) enacted in 2001.** The "Oklahoma Home Inspection Licensing Act" provides for the licensing of home inspectors through the State Board of Health, and a newly created Committee of Home Inspector Examiners (Committee). The Committee is charged with advising the Board of Health in establishing rules relating to: 1) qualifications and examinations for licensure, 2) renewal requirements, 3) reinstatement of licenses, 4) continuing education, 5) standards of practice and prohibitions, 6) approval of schools and educational course content for home inspection, 7) standards for schools to remain approved to provide courses of instruction, 8) reciprocity

agreements, and 9) investigative procedures. In order to take an examination for licensure, an applicant must be at least 18 years of age, and successfully complete 50 hours of home inspection training, or its equivalent, as determined by the Committee. Renewal of licensure will be granted provided home inspectors attend five hours of continuing education within the preceding 12 months. A grandfather clause is included as well, with a sunset date of January 1, 2002. Under the law, licensed home inspectors will be required to carry no less than \$50,000 of general liability insurance.

For more information, contact the Department of Health  
(405) 271-5217

[www.health.state.ok.us/](http://www.health.state.ok.us/)

To download the law go to: [http://www2.lsb.state.ok.us/2001-02SB/sb198\\_sflr.rtf](http://www2.lsb.state.ok.us/2001-02SB/sb198_sflr.rtf)

**Oregon Certification (ORS 701.350, 355) enacted in 1997.** The Oregon Home Inspection Certification Law requires individuals who perform home inspections of two or more components to be certified by the Oregon Construction Contractors Board (CCB). An individual must meet minimum training and/or experience requirements to take a comprehensive test, pass the test and complete continuing education courses to renew certification. The Oregon Standards of Practice, Standards of Behavior and Definitions are adopted from the ASHI Standards with Oregon amendments; Oregon acknowledges the assistance of ASHI in developing its standards and definitions. Each certified home inspector must be an owner or employee of a business licensed with the CCB. Businesses that perform home inspections must be licensed with the CCB in categories that require either a \$10,000 or \$15,000 bond and either a \$300,000 or \$500,000 liability insurance policy. **Amendment to current law** (ORS 710.35, Chapter 812). The amendment to current law provides an exemption for a home inspector acting within the scope of his/her certification or licensure, from licensure as a real estate appraiser.

For more information, contact the Construction Contractors Board  
(503) 378-4621  
(503) 373-2007 f  
<http://www.ccb.state.or.us/CCBHome.htm>

To download ORS 701.350 go to: <http://ccbed.ccb.state.or.us/WebPDF/CCB/statutes/hi>

For information on Continuing Education Units go to:  
<http://ccbed.ccb.state.or.us/WebPDF/CCB/Publications/hi-ceu.pdf>

For a Summary of the Standards of Practice go to:  
<http://ccbed.ccb.state.or.us/WebPDF/CCB/Publications/hi-s-sop.pdf>

For the full text of the Rules of the Board, including the full Standards, go to:  
<http://ccbed.ccb.state.or.us/WebPDF/CCB/Publications/hi-s-sop.pdf>

For information on the Oregon Exam go to:  
<http://ccbed.ccb.state.or.us/WebPDF/CCB/Publications/HI-AP-P.pdf>

**Pennsylvania Trade Practice Act (Act 114 of 2000, Title 68 enacted in 2000).** The law provides a uniform definition for the term "home inspection" and for a national home inspection association. It establishes that a home inspector shall conduct their inspection in accordance with the standards of practice set forth by a professional home inspection trade association such as ASHI or the National Association of Home Inspectors. It further outlines consumer remedies as they relate to a home inspection, and establish penalties for misrepresentations of fact in an inspection report. Under the law, home inspectors are required to maintain errors and omissions and general liability insurance coverage of not less than \$100,000 per occurrence and \$500,000 in the aggregate. The law is scheduled to take effect in December 2001.

For more information, contact the Pennsylvania Bureau of Consumer Protection  
(717) 787-9707

To download the law go to:

<http://www.legis.state.pa.us/WU01/LI/B/1999/0/SB1032P2140.HTM>

**Rhode Island Trade practice act enacted in 1996.** The law in Rhode Island forbids home inspectors, pest control inspectors, and contractors from doing work on property that is inspected prior to real estate sales. The law was passed to help eliminate activities that could present a conflict of interest.

**Licensure (Chapter 65.1) enacted in 2000.** Rhode Island law creates a home inspector licensing law and requires that all home inspectors be licensed. Home inspectors would be required to maintain \$250,000 of liability insurance and would be required to pass written examinations. This law will take effect on January 1, 2001.

For more information, contact the RI Contractors' Registration Board

(401) 222-1268

(401) 222-2599f

[www.crb.state.ri.us/inspectors.htm](http://www.crb.state.ri.us/inspectors.htm)

To download the law go to:

**South Carolina Licensure (Title 40, Chapter 59, Article 3) enacted in 1996.** South Carolina law requires any person desiring to be a licensed home inspector to file with the South Carolina Residential Builders Commission. A home inspector must show to the satisfaction of the Commission that he is currently certified as a home inspector by an organization recognized by the Commission, that he has a minimum of one year of experience as a home inspector under the supervision of a licensed inspector, and that he has performed a minimum of fifty residential inspections.

For more information, contact the Department of Labor, Licensing and Regulation

Residential Builders Commission

(803) 896-4363 main

(803) 896-4603 for

Home Inspectors

[www.llr.state.sc.us](http://www.llr.state.sc.us)

To download the law go to: <http://www.lptr.state.sc.us/code/t40c059.htm>

**South Dakota Licensure (Chapter 3621C) enacted in 2000.** The South Dakota law provides for the regulation of home inspectors. The South Dakota Real Estate Commission shall issue and renew certificates to licensed and registered home inspectors pursuant to the provisions of this law. No person may provide a home inspection for compensation unless registered or licensed in the State of South Dakota. Applicants for a license as a home inspector shall meet the following requirements; 1) Good moral character; 2) Completion of high school or equivalency; 3) Employment as a registered home inspector for no less than one year and performance of not less than one hundred home inspections for compensation; 4) Successful completion of licensing exam. Applicants for registration as a home inspector shall meet the following requirements; 1) Good moral character; 2) Completion of high school or equivalency; 3) Successful completion of an approved course of study; 4) Successful completion of registration exam.

For more information, contact the Real Estate Commission

(605) 773-3600

(605) 773-4356 [www.state.sd.us/sdrec/](http://www.state.sd.us/sdrec/) To download the law go to:

<http://www.state.sd.us/sdrec/home%20inspector%20statutes.htm>

**Tennessee Certification (Title 62, Chapter 6, Part 3) enacted in 1997.** Tennessee law only applies to the inspection of new construction and authorizes such inspections if the inspector is: 1) a licensed contractor; 2) certified by the state as a fire prevention officer building official; 3) certified by the Southern Building Code Congress; 4) certified by the Home Inspectors of Tennessee Association; or 5) certified by ASHI. The law only applies

inspectors in certain counties in Tennessee.

For more information, contact the Department of Commerce, Division of Regulatory Boz  
(615) 741-3449  
[www.state.tn.us/commerce](http://www.state.tn.us/commerce)

To download the law go to:  
<http://198.187.128.12/tennessee/lpext.dll?f=templates&fn=fs-main.htm&2.0>

**Texas Licensure (Title 113A, Article 6573a, Section 23) enacted in 1991.** The Texas licensure law, the Real Estate License Act, provides for the examination of home inspect and established continuing education requirements. The law also requires home inspect applicants to work as apprentice inspectors under the supervision of a professional licer home inspector. If an applicant is unable to obtain an apprenticeship, educational cours work and an examination can be substituted. Home inspectors are regulated by the Tex Real Estate Licensing Board.

For more information, contact the Texas Real Estate Commission  
(512) 465-3900  
(512) 465-3910 f  
[www.trec.state.tx.us/](http://www.trec.state.tx.us/)

To download the law go to: <http://www.capitol.state.tx.us/statutes/vn/vn00113A.html>

To download the Rules go to:  
[info.sos.state.tx.us/pub/plsql/readtac\\$ext.ViewTAC?tac\\_view=5&ti=22&pt=23&ch=535&](http://info.sos.state.tx.us/pub/plsql/readtac$ext.ViewTAC?tac_view=5&ti=22&pt=23&ch=535&)

**Virginia Certification (Chapter 723, adding Chap. 5 of Title 54.1) enacted in 2001.** T Virginia certification law provides a voluntary certification program for home inspectors i the state. However, no person may hold him/herself out as a "certified home inspector" without meeting the certification requirements prescribed by the Board. The Board may issue a certificate to practice home inspection to any applicant who has successfully completed: 1) any educational requirements as required by the Board, 2) any experienc requirements as required by the Board, and 3) passed any written or electronic examina offered or approved by the Board. The Board may issue a certificate to practice as a certified home inspector to any applicant who is a member of a national or state professional home inspector association approved by the Board, provided that the requirements for the class of membership in such association are equal to or exceed th requirements established by the Board for all applicants. Because the law was enacted recently, the language does not include specific requirements. The Board is undoubtedly working on creating those rules and requirements, in preparation for the law's July 1, 20 effective date.

For more information, contact Virginia Board for Asbestos, Lead, and Home Inspectors  
(804) 367-8507  
[http://www.state.va.us/dpor/asb\\_main.htm](http://www.state.va.us/dpor/asb_main.htm)

To download the law go to:  
<http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+TOC540100000050000000000000>

In PDF: [http://www.state.va.us/dpor/asb\\_finalreq.pdf](http://www.state.va.us/dpor/asb_finalreq.pdf)

**Wisconsin Certification (Chapter 440.97) enacted in 1998.** Under Wisconsin's law, home inspectors must register with the State and pass an examination approved by the Department of Regulation and Licensing. The law instructs the Department to consider use of an examination modeled after ASHI's examination. The law also requires that a home inspector perform a "reasonably competent and diligent" inspection; however, the inspection is not required to be technically exhaustive. Home inspectors are prohibited fr limiting their liability from damages resulting in a failure to conduct a "reasonably compe and diligent" inspection. Also, inspectors are prohibited from performing repairs, maintenance, or improvements to a structure that they have inspected within the last tw years.

For more information, contact the Department of Regulation and Licensing  
(608) 266-2112  
(608) 267-0644 f  
<http://www.state.wi.us/agencies/drl/>  
or go to: [www.drl.state.wi.us/Regulation/applicant\\_information/dod1200.html](http://www.drl.state.wi.us/Regulation/applicant_information/dod1200.html)

To download the law go to: <http://www.legis.state.wi.us/statutes/99Stat0440.pdf> (see section 440.97)

To download all WS Statutes and Rules pertaining to HI's go to:  
[http://www.drl.state.wi.us/Regulation/publications/admincode\\_statutes\\_h-m.htm#Home](http://www.drl.state.wi.us/Regulation/publications/admincode_statutes_h-m.htm#Home)

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By Rick Jarvis, CRS, C&P  
Associated Broker  
Re/Max Properties

## Should We Care Who the Buyer Chooses to Do a Home Inspection?

Who are those guys who have so much influence on the residential real estate market? Their written reports and recommendations affect the buying and selling of millions of dollars worth of properties each year. But they are NOT state tested for knowledge, or licensed or regulated in any manner. Their reports and their opinions can and often do influence the decision making of buyers, lenders, appraisers, real estate agents, underwriters, contractors, and specialists of all kinds. Yet they are Not regulated in any manner.

Let me ask you a few questions: What is the purpose of a home inspection? What do you know about the background, experience and training of your favorite "home inspector?" Why should we care? As a Buyer's Agent, should we care who the buyer chooses to do a home inspection? As a Seller representative, should we question a home inspection report or depend upon the appraisers and lender to scrutinize these reports? Have you ever asked a home inspector to show you where his recommendations for repairs are supported by code or lender requirements?

Perhaps the most important question to ask a home inspector is: DO YOU HAVE ERRORS AND OMISSIONS INSURANCE? Could this be important information for a buyer, seller or real estate agent to know about? What if the home inspector makes a mistake? A few are trying to hold their liability to only the cost of the home inspection report. One home inspector said the reason he did not have E & O insurance was to avoid being sued. "That way they don't come after me." Gee, I wonder who a disgruntled buyer or seller will look to next?

Now don't get me wrong, and let me make it perfectly clear: I do believe that there is a vital place and purpose for home inspections within the scope of a real estate transaction. In fact I believe that almost every home inspector I have met tries his best to do a thorough and conscientious inspection.

After conducting an informal survey of home inspectors, the following observations were made:

1. Every home inspector interviewed agreed that some

*form of reasonable and reliable regulation for home inspectors is needed.*

2. Only about half the home inspectors interviewed had Errors and Omission Insurance.

3. Three years was about the average time frame a home inspector has been in the business.

4. Most thought the American Society of Home Inspectors (ASHI) set the best standards and qualifications for a person to become a home inspector.

5. Most every home inspector had a construction, engineering or architectural background.

6. On average the home inspectors interviewed conducted between 125-175 home inspections a year.

The demand for home inspections is ever increasing. Relocation companies are now requiring home inspections on the home purchase by transferee as a requirement for a "buy out" program when the employee is transferred again. Alaska Housing is planning to make home inspections "mandatory" for a buyer to sign. It makes buyers aware of the importance of a home inspection and asks them to indicate whether or not they will be obtaining a home inspection. Indeed, home inspections are becoming a normal routine for most residential transactions.

Let me suggest that all home inspectors organize themselves to become self-regulated. They should set the standards by which all home inspections are conducted and establish the qualifications to become a general home inspector in Alaska. They need to have continuing educational courses. They should have standardized written report forms. They need to have E & O Insurance. They should do this ASAP. And if they cannot organize themselves, then the Real Estate Commission, interested REALTOR® Boards, real estate agents, brokers, appraisers, home inspectors, banks and mortgage companies should create a task force to ask the State Legislature to regulate home inspectors.

In the meantime, what to do? Ask lots of questions -- E&O, background, experience, how report is structured, easy to understand, how long to receive, fees, liability, issues, etc. The Anchorage Board is looking for your input about this process. Please send your comments/recommendations: Fax - 563-8476.



# Expert home inspections useful for buyer and seller



CLAIR  
RAMSEY

Previously I discussed licensing of home inspectors (June 27, Page C-1). This time, let's focus on the actual home inspection. After a buyer and seller sign a purchase agreement on a home defining price and terms, the home inspection occurs. By the time the inspection report and buyer's request for repairs is delivered to the seller, the home typically has been off the market for two weeks.

In many cases the results of the inspection report reopen negotiations between buyer and seller. Negotiating on repairs can delay closing, and it rarely is resolved to the seller's liking. The lender and or appraiser also may require repairs of major items noted in the inspection before financing the home.

The home inspection report typically groups items between minor ongoing

maintenance and major repairs. Major repairs are of most concern to buyers and sellers alike. Major problem areas frequently include the roof, groundwater, furnaces and decks.

Let's start with the roof. What is the age and condition of the roof? Is the roof ventilated or non ventilated? Does the roof have an ice shield? If the roof is 2 to 3 years old, there should not be a problem. If the roof is 20 years old, per-

haps there are reasons for concern. Non ventilated roofs are subject to condensation problems not always visible on the home's interior. Ice shields help prevent infiltration of water when ice dams form in the winter months. Replacing or repairing a roof can be expensive.

Groundwater problems are a second

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## RAMSEY: Inspections focus on repairs.

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area of concern. Is there evidence of water in the crawl space? How is water removed from the crawl space? Does your home have a sump pump? Does it pump into the city sewer — which is illegal — or to an outside drain? Does the ground outside slope away from the home, or toward it? Ground that slopes toward the house may send water into the crawl space or basement. The crawl space is an area where homeowners rarely look, unless a problem arises. Groundwater problems can also be expensive to repair.

The third problem area is the furnace. What is the condition of the furnace or forced-air heating systems? Does the furnace have a cracked heat exchanger? If it is 10 to 15 years old, it may have. This may necessitate a new furnace if the heat exchanger cannot be economically replaced.

As Anchorage ages, it becomes evident that many homes built in the late '70s and early '80s are not withstanding the test of time gracefully. Decks and bathrooms are typical areas of concern in older homes. Most decks were built with fir, and homeowners did not fully understand the upkeep required. Many of these decks are now rotting and require renovation or even complete replacement.

Bathrooms in older homes may also need

attention. Walls around tubs and showers may be showing evidence of deterioration as water penetrates through the grout between the tile to the sheet rock behind. Removing and replacing select tiles can be difficult, particularly when trying to match older ceramic tile. However, repairing either of these areas prior to putting your home on the market helps demonstrate that your property has been adequately maintained.

Before you sell your home, find out if you have a major problem. Don't worry about small items like ground-fault circuit interrupter outlets (GFCIs), seismic straps or hot water tanks. Focus on the bigger-cost items. If you have any concerns about these types of problems, address them before going on the market. Have your real estate agent recommend an inspector to check specific areas of concern. If you wait, it will be harder to get the buyers to adjust the sales price or participate in repairs after they make an offer. Completing repairs first may allow you to recover some of the expense with an increase in the sales price.

Clair Ramsey, CRS, is a local associate broker specializing in residential real estate. His opinion column appears every fourth Sunday. His e-mail address is ramsey@alaska.net.

## INSPECT THE INSPECTOR: Choosing the Right One Can Help Avoid Costly Mistakes

by Karen Crawford, HouseMaster, 346-9190, hmalaska@pobox.alaska.net

Home buyer horror stories are plentiful: A new home owner finds the roof leaks during the first rain, the circuit breakers blow the first time everything gets plugged in, the furnace malfunctions during the first cold snap.

Buying a home is fraught with perils that are supposed to be eliminated with a professional home inspection. Unfortunately, such new homeowner nightmares can, and do, happen - even when a "professional" home inspector was called in to inspect the prospective home.

Many homebuyers think they are automatically protected against risk and liability when they order a home inspection. But home inspectors, unfortunately, are not all created equal.

There is so much riding on the inspection, yet many homebuyers don't know what qualifications they should be looking for in an inspection firm.

### Inspection Industry Unregulated

There is no "official" regulation of the home inspection industry with regard to training, experience or insurance coverage, so credentials and credibility vary widely. It's the 'consumer beware' in this situation.

The home inspection industry grew out of a group of contractors, roofers and plumbers who supplemented their earnings during slow periods with inspections. These "independents" often did not have the complete knowledge of the total workings of a house and their findings were not always impartial.

Along with the boom real estate market in the 80s, the residential home inspection industry grew rapidly. Today, the consumer has the choice of hiring an independent inspector, who may or may not do it as a full-time profession, or go with an inspection company whose sole business is home inspections. These firms run the gamut from small "mom and pop" operations, to companies or franchise offices affiliated with a large national corporation. HouseMaster, with more than 230 offices across the U.S. and Canada, falls into the latter group.

### Insurance & Training of Great Importance

Because there is no federal, state or provincial regulation of the home inspection industry, consumers need to know what to look for when hiring an inspector. While everyone - trained or not - is capable of making a mistake, the outcome can vary greatly depending on several key factors. Carrying the necessary insurance - called "Errors and Omissions (E&O)" insurance - is one of these critical factors.

In the event your buyer must bring a lawsuit against an uninsured inspector, chances are he'll simply go out of business and they will never collect the money needed for repairs, even if you win your case in court.

For maximum benefit and liability protection for both buyers and sellers, HouseMaster advises that it is essential to hire a home inspection firm that employs inspectors with all of the following credentials:

\* **Training and Technical Support:** training in all aspects of home inspection and ongoing support for questions and changes in residential construction techniques and systems.

\* **Certification:** certification by a reputable training institute, which requires re-testing annually, such as The American Society of Home Inspectors (ASHI) or National Institute of Building Inspectors (NIBI).

\* **Insurance:** insurance coverage, including general liability, worker's compensation and especially E and O insurance, which is like malpractice insurance

\* **Written Guarantee:** a formal, written guarantee, which backs up the inspection findings.

If the inspector is missing any of these important credentials - particularly the E and O insurance - don't hire them. Even if they say they are certified, that does not guarantee that they have all the other credentials.

Large reputable companies have helped set many industry-accepted inspector requirements with their own stringent rules. HouseMaster, for example, requires all its franchise offices to carry Errors and Omissions insurance. It encourages all of its offices to have their inspectors trained and certified.

### Engineer Versus General Inspector

Many engineers have been drawn to the inspection field as their industries have changed and scaled down, such as the defense industry or the aerospace industry. Consequently, there has been some confusion about whether to hire an 'engineer' or a 'general inspector'. But licensed engineers - even trained structural engineers - may not know a great deal about heating, plumbing, electrical systems or roofing. Hiring one for a home inspection is just like getting a heart specialist to do a general physical. Consumers should verify specifically what home inspection and experience training they have had in addition to their engineering background.

The biggest misconception is that structural problems can only be detected by a structural engineer. Properly trained inspectors are totally capable of detecting structural deficiencies.

In reality, the incidence of structural problems with resale homes is only around two percent, according to HouseMaster statistics. The highest incidence of problems, however, is with electrical wiring, water penetration, plumbing, heating and roofing, depending on the age of the home.

Is a structural engineer going to be able to find an electrical or heating system deficiency? These are serious and often expensive problems to be concerned with.

(Continued on Page 8)

(Continued from Page 7)

According to Warren Boroson, co-author with HouseMaster chairman Kenneth Austin of "The Homebuyer's Inspection Guide" available in bookstores, most homebuyers seem more comfortable dealing with people who have extensive home inspection experience, rather than those who have only advanced degrees. For example, an engineer may have studied aeronautical or chemical engineering, both of which offer no practical expertise in the systems that make a house work.

It's really critical to find a home inspector who is knowledgeable about all the systems within a home, is trained to look for symptoms of problems and keeps up to date on equipment and repair techniques. In the small percentage of cases where a structural condition is detected during an inspection, we may recommend further evaluation by a licensed engineer.

**Proper Insurance Coverage Key Factor in the Litigious '90s**

Critical to the home inspection is that the inspection firm or inspector carries all the proper insurance coverage. This helps ensure that the buyer is not financially responsible if the inspector makes an error (E&O), falls off the roof (Worker's Comp) or damages the seller's property in some way (General Liability).

Errors and Omissions insurance in real estate is the equivalent of malpractice insurance. This is very difficult insurance for home inspectors to obtain. If your buyers find an inspector who does not carry this type of insurance, it is usually an indication that the inspector has had no formal training, or has a poor track record in the industry.

Because of the cost of E and O insurance and the difficulty in qualifying for it, a small percentage of independent inspectors will carry it.

General liability insurance and worker's compensation is also extremely important. Without such coverage, the homebuyer assumes a large degree of liability for the safety and well being of the inspector while in the employ of the homebuyer during the inspection.

**Independent Vs. Large Inspection Firm**

There are other advantages to hiring a home inspector who works for an established company. National companies have set requirements for hiring, training, professionalism and insurance coverage; they have credibility and experience; and they can offer special services and technical support to customers and inspectors.

It is also important to ask whether the inspection firm will stand behind its inspection with a formal, written guarantee. HouseMaster, for example, includes in the inspection fee, a complimentary 90-day guarantee on the inspection for most of the major elements in the home that it found to be satisfactory at the time of the inspection.

In addition, its technical information center is available for buyers who want to know more about how to maintain or repair equipment in their home.

Educating homebuyers about the operation and maintenance of their new home is one of our main objectives. We encourage buyers to

(Continued on Page 14)

**Finally**

**A Tax Break  
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- a) \$ into MSA = 100% tax-deductible\*
- b) \$ into health premium = 45% tax-deductible

For many self-employed, a) and b) combined will cost less than conventional health insurance.

The law is more detailed than we can describe here. For more information on getting a tax-advantaged MSA, call:

**Lonnie Crosby**  
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Fax: 907-243-7847

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1118-297 \*Law dictates funding maximums  
Form # C-1-006 J, C-006 4 Not available in all states  
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(Continued from Page 8)

come along on the inspection, ask questions and call our office afterwards. We also provide printed material and a free instructional videotape on home maintenance and repairs as part of our comprehensive inspection package.

When you consider the potential risk and liability involved with the purchase or sale of a home, it pays to shop for the best - not the cheapest - inspection service available in your area.

**The Six Most Important Questions to Ask When Hiring A Home Inspector**

1. Is home inspection your only business?  
 Make certain it is, in order to avoid any potential conflicts of interest. Many independent inspectors do it on a part-time basis to supplement their real businesses as contractors, roofers, etc., and their report findings might be suspect.

2. Do you carry all the necessary insurance, including professional liability (E&O), general liability and worker's compensation?  
 E&O is the number one priority, says Warren Boroson, co-author of the Homebuyer's Inspection Guide. This malpractice-type insurance protects the inspector (and indirectly the homebuyer and those referring the inspector) against post-inspection legal problems. General liability covers personal liability not covered by the basic E&O policy and worker's compensation covers the safety of the inspector during the inspection.

3. Does the home inspection firm offer a written guarantee on the inspection?  
 It's best to hire an inspection company that offers a formal, written guarantee along with the inspection, although not many do.

4. How long does the inspection take and can the homebuyer accompany the inspector?  
 Yes, they should. A professional inspection of the average house takes about two hours. Be skeptical of home inspectors who don't want you to tag along. Inspectors who invite the homebuyer along will often offer valuable maintenance tips.


5. What type of a report will they buyer receive and when will they receive it?  
 There are various types of reports given by professional inspectors, including typed narrative (sent to the homebuyer within a week), and on-the-spot written reports for those who need or want the information as soon as possible. Don't accept a verbal report without a written backup, since you will have no record of the inspector's findings for future referral.

6. Is the inspector trained or certified in home inspection by a recognizable organization, such as the American Society of Home Inspector's (ASHI)?  
 With no official government regulation of the home inspection industry required in Alaska, certification by ASHI ensures that the inspector meets strict guidelines set forth by one of the largest and most reputable home inspection organizations.

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741 Sesame Street, Suite 100 - Anchorage, Alaska 99503  
Telephone 907-563-7133 • Fax 907-561-1779

January 16, 2001

JAN 16 2001

Representative Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 27 - Relating to the licensing of home inspections

Dear Representative Rokeberg,

The Alaska Association of REALTORS with over 1,100 members statewide supports House Bill 27 relating to the licensing of home inspectors.

We agree that there should be some minimum standards set forth in this bill to protect the consumer. Minimum standards should include but are not limited to testing, insurance, education and the forming of a home inspector bill.

The Association encourages the passage of HB 27 during the first session. We continue to be available as a resource to pass this bill. Please feel free to contact the Association at (907) 563-7133.

Sincerely,

Bill Brady, CRS, GRI  
President





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January 16, 2001

JAN 16 2001

Representative Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

RE: HB 27 – Relating to the licensing of home inspections

Dear Representative Rokeberg,

The Anchorage Board of REALTORS with over 600 members statewide supports House Bill 27 relating to the licensing of home inspectors.

The Anchorage Board is in agreement with the Alaska Association that there should be minimum standards set forth for home inspectors to protect the consumer.

The Board encourages the passage of HB 27.

Sincerely,

Gary Gearhart  
President



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FACSIMILE: (907) 463-3020  
E-MAIL: lw@gcl.net

February 2, 2001

Representative Norman Rokeberg  
State Capitol  
Juneau, Alaska 99801-1182

FEB 02 2001

Re: CSHB 27

Dear Representative Rokeberg:

I am writing to you on behalf of State Farm Insurance Companies. State Farm insures roughly 75,000 homes in Alaska. Creating a board of home inspectors and requiring licensure, registration and oversight of home inspectors will in a variety of ways only benefit home owners, prospective home purchasers, qualified home inspectors and the public in general. State Farm supports CSHB 27 and encourages its passage.

Sincerely,

LESSMEIER & WINTERS

By: 

Sheldon E. Winters



# **WARD**

Development  
& Construction Management  
INCORPORATED

April 18, 2002

*Tom*  
Dear Legislator:

**It is my understanding that HB 27, licensing of home inspectors, will be heard on the House Floor today.**

**I would like to urge my support for this bill, given it's broad support within the affected industries. This piece of legislation has been in the works for several years and the version you see today is the product of hard work and compromise by the many parties involved.**

**Some may ask; is this a union issue? It is not. Labor should not be affected.**

**Others may ask; how will this affect the Third Party Alternative Inspector ordinance that is being introduced at the Anchorage Assembly? It will enhance it. If the Anchorage ordinance were adopted, those inspectors would be licensed and certified, which is good public policy.**

**I would be available to answer any questions on my cell phone at 229-8403.**

**Thank you for your support!**

*Robin*

**Robin E. Ward**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 5  
 Bill Version: CSHB 27(FIN)  
 (H) Publish Date: 4/1/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title License Home Inspectors BRU AHFC  
 Component AHFC  
 Sponsor Representative Rokeberg  
 Requester House Finance Committee Component No. 110

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

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

AS 18.56.300 is amended to establish state-licensed home inspectors for the approval of homes for mortgage purchases by AHFC. The current construction standard is approved by the International Conference of Building Officials (ICBO).

Costs would relate to education regarding the changes to the home inspection process. For example, homebuyers, realtors, homebuilders and mortgage lenders will need to know of the new requirements to ensure minimal disruptions in closing home mortgage transactions. These activities can be adequately covered with annual budget authorizations.

AHFC is given a non-voting, ex-officio board seat until July 1, 2005, and is directed to pay its own expenses for this privilege. Participation was requested by AHFC in order to assist in the transition from ICBO inspections to state-licensed inspections, as well as advocate for the establishment of construction standards consistent with financing and bonding requirements. Assuming there will be less than three meetings per year, AHFC can adequately cover these costs with regular annual budget authorizations.

Prepared by: John Bitney, Legislative Liaison Phone 330-8445  
 Division Alaska Housing Finance Corp. Date/Time 3/26/02 6:31 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 3/26/2002  
 Agency Alaska Department of Revenue