



# ALASKA DISTRICT COUNCIL OF LABORERS

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February 24, 2017

Honorable L & C Committee Members  
Alaska State House of Representatives  
Juneau, Alaska 99801

Re: HB 38 Worker Compensation Amendment on Death Cases and PPI Injuries

Dear Honorable Representatives;

Your support for passage of HB 38 protects families of Alaskan workers killed on the job; and for Alaskan workers suffering permanent injuries.

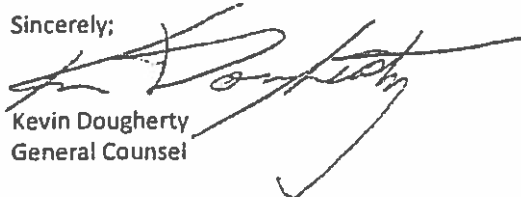
Specifically, Section 4 corrects the embarrassing neglect of prior Legislatures for Death cases wherein the worker was single, yet had grandchildren, parents, or siblings. For over 40 years- since 1968 – this Death benefit has languished at the insulting \$20K for the loss of human life. Sadly, a number of Alaska families have been subject to this insulting statute. For example, the families of Alaskans such 1). Kerry Brookman killed while working for our AKRR by an avalanche, 2). Tyler Kahle a construction worker killed in Nome, and 3). Anchorage Laborer Samuel Rey Damn killed by a truck -- sadly received this outdated, substandard \$20k for the death on the job!

And even worse, after Abigail Caudle was killed on the job in Anchorage, the existing Worker Comp statute was used to provide the family zero-no compensation whatsoever-- for their daughter's death. [See Alaska Work Comp Appeals Com'n, Decision No. 215 (2015). That Decision deferred responsibility to the Alaska Legislature to address this tragedy. See footnote 32.

Secondly, section 2 also corrects an outdated statute that unfairly impacts Alaskans disabled from workplace accidents. Specifically, the Worker compensation amount for a Permanent Disability in A.S. 23.30.190 has not been adjusted since the year 2000- and thus has eroded by inflation! Your HB 38 Bill rightly corrects this inequity for injured Alaskans.

We appreciate your work for passage of this Legislation for Alaska families!

Sincerely;



Kevin Dougherty  
General Counsel

Attachments: Abigail Caudle Obituary/ADN article  
Re: Kerry Brookman; "Avalanche Kills Railroad worker"  
Letter of Mother Michelle Kahle/son Tyler killed in Nome  
1968 Alaska Legislative Amendment  
1915 Alaska Territorial Legislature



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

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**REGULATORY ORDER NUMBER R 17-09**

**APPROVAL WITH MODIFICATION OF THE  
2018 WORKERS' COMPENSATION LOSS COST FILING  
AND ASSIGNED RISK RATE FILING**

**BACKGROUND:**

On August 23, 2017, the Division of Insurance (division) received the 2018 Alaska Workers' Compensation Filing for Voluntary Loss Costs and Assigned Risk Rates from the National Council on Compensation Insurance, Inc. (NCCI)<sup>1</sup>. This filing proposed an overall 7.9% decrease in voluntary loss costs and an overall 4.2% decrease in assigned risk rates from the current approved levels.

On August 3, 2017 the director issued Notice of Public Hearing H 17-02 notifying interested parties that, in accordance with AS 21.39.043, a hearing would be held on September 12, 2017. The purpose of the hearing was to allow interested parties to provide testimony or evidence as to whether the filing's prospective loss costs met the requirements of AS 21.39. Interested parties were also invited to include a recommendation for approval, disapproval, or modification of the filing.

No interrogatories were submitted to NCCI by member or subscriber companies prior to the hearing, and no written testimony was received by the division prior to the hearing. At the hearing, Alaska National Insurance Company provided oral and written testimony and supporting exhibits. The hearing record was held open for 10 days after the hearing; no written comments were received during that time.

**DISCUSSION OF FILING METHODOLOGY**

1. Consistent with what was approved in the 2017 filing<sup>2</sup>, NCCI again:
  - a. based the overall indication on three policy years (PY) of experience (PY2013, PY2014, and PY2015 in this filing);
  - b. used a 50/50 weighting of "limited" and "unlimited" indications;
  - c. for each indication, used an average of paid and paid-plus-case experience;

<sup>1</sup> The filing number assigned by the division is the SERFF tracking number, NCCI-131156296. The filing is open to public inspection per AS 21.39.043(g) and may be accessed via SERFF Filing Access at <https://filingaccess.serff.com/sfa/home/AK>.

<sup>2</sup> Within this Order, the year used to identify filings refers to the year the filing is effective. For example, the "2017 filing" refers to the filing that became effective January 1, 2017 and the filing subject to this Order is the 2018 filing.

*provided by Kevin Dougherty*

relatively flat. Similar exhibits based solely on Alaska claims data show an increase in the frequency of large claims in Alaska in the last few years, which is consistent with documentation provided in the 2017 filing. However, the analyses that rely solely on Alaska data are not fully credible or conclusive due to the small Alaska dataset and the characteristic volatility of these large claims. Considering the presumed drivers of the increase in large claims are not Alaska specific, the countrywide exhibits add to the body of evidence making it difficult to conclude that the recent Alaska large loss experience is more predictive of future expected costs than the alternative which is based on longer term averages.

Nevertheless, it remains prudent and reasonable to give equal weight to both the limited and unlimited indications.

4. The proposed 2.0% profit provision in the assigned risk rates is acceptable. In Order R04-10, the division noted, "the assigned risk pool does not exist in order to make a profit or receive a return on its investment." While that position remains true, it is not inconsistent with the proposed profit provision. Notably, even a 0.0% profit provision implicitly assumes an offsetting relationship between investment income on claims reserves (which are required to be considered in the pool's ratemaking per regulation 3 AAC 30.030(d)(4)) and underwriting results. NCCI's proposal makes the relationship explicit and appropriately allows the provision to vary with investment market results.


Note that the above findings are specific to the subject filing and are not meant to apply generally to past or future filings or to provide guidance for future filings unless specifically noted.

## ORDER

For the reasons set forth above and in accordance with AS 21.39.043, the director orders:

- A. The -7.9% overall decrease in voluntary loss costs is approved.
- B. The expense provisions of the assigned risk rate will be updated to include the actual 2018 servicing carrier allowance of 28.4%. This will result in a 5.4% overall decrease in the assigned risk rates.
- C. NCCI should continue to provide alternate indications in the 2019 filing. The alternative indications should include combinations of the following:
  1. Losses: unlimited and limited;
  2. Loss development averages: 2-year, 3-year, and 5-year paid; 3-year, 5-year, and 5-year xhilo paid-plus-case;
  3. Trend assumptions: the assumptions approved in this 2018 filing, at least one alternative that is higher than the trend assumption selected for the 2019 filing and at least one alternative that is lower.

This order is effective November 6, 2017.

  
Lori Wing-Heier  
Director