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March 25, 2019

The Honorable Andy Josephson
Representative
Alaska State Capitol Room 502
Juneau, AK 99801

Dear Representative Josephson,

ARECA Insurance Exchange (AIE) has serious concerns with House Bill 30, which would significantly expand the state's workers' compensation program beyond its long-standing and intended purpose while increasing costs on Alaska's employers.

AIE is a reciprocal insurer located in Anchorage that provides coverage to non-profit electric utilities in Alaska. We are directly affiliated with Alaska Power Association, the statewide trade association for electric utilities.

Under current law, the employer's liability under the workers compensation system is the exclusive liability for death or injury to its employees. This is the so-called "grand bargain" on which workers' compensation is based. It provides a guaranteed benefit while avoiding costly and unpredictable litigation after each injury or death. While AIE and its subscribers could support your proposed adjustments for inflation to the Permanent Partial Impairment (PPI) and dependent death benefits, House Bill 30 goes much further than that.

House Bill 30 would circumvent the long-standing intent of workers' compensation and allow for an employee to sue for damages if they allege "willful disregard" against the employer. The term "willful disregard" does not appear in the workers' compensation statute, and its meaning in HB 30 is unclear. This will lead to significant costs to employers if they are forced to defend themselves in court over an allegation of "willful disregard."

There are already remedies outside the workers' compensation program for clearly negligible behavior by an employer or violations of safety regulations. The workers' compensation system is not the place to enact measures that go beyond compensating injured workers and their dependents.

HB 30 also establishes a new death benefit for non-dependent family members of an employee who is killed on the job. This creates what is essentially a statutorily mandated life insurance policy – again, not the intent of workers' compensation.

Workers' compensation death benefits to dependents are meant to replace the lost wages that would have supported the dependents, but for the death of the employee. Extending monetary death benefits to non-dependents would increase workers' compensation costs and clearly break with the intent of providing compensation to dependents who were relying on it.

AIE cannot support any workers' compensation legislation that raises costs on Alaska employers while at the same time disrupting the long-standing and dependable purpose of the workers' compensation program.

If you have any questions about this letter or Alaska's workers' compensation program, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Crystal Enkvist', with a stylized, cursive script.

Crystal Enkvist
Executive Vice President