

The background features a large, faint, circular seal of the State of Alaska. The seal contains the text "THE SEAL OF THE STATE" at the top and "ALASKA" at the bottom. The central image depicts a landscape with mountains, a body of water, and a ship.

Senate Bill No 88

**Alaska Department of Administration
Division of Risk Management**

Director Scott Jordan

Wednesday April 21, 2021, Senate Finance

Purpose

- SB88 is a request to change the CATFund from \$5,000,000 to \$50,000,000 unencumbered.
- The purpose is to allow the State to self-insure for property coverage.
- We currently self-insure for Workers' Comp(since FY1992) and General Liability (since FY2002).
- Due to global property insurance markets hardening we had a 30% increase in insurance costs from FY20 to 21 and we're being told to expect another 15% to 20% for FY22.
- Currently the limit on catastrophic coverage that can be purchased is \$50,000,000 for an annual premium. We can save that annual premium by self-insuring.

What other states are doing?

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Through the State Risk and Insurance Management Association (STRIMA) we asked other states what they were doing to combat the rising premiums in property coverages;

- Just pay the higher premiums. Some states, mostly Southeast states are forced to maintain excess coverage due to benefits paid by FEMA which requires “Obtain and Maintain” agreements when FEMA pays for a catastrophic loss.
- Set up Captive Plans
- Increase Self-Insured Retentions (SIR), in some cases \$40mil to \$50mil retention
- Some states are coming off multi-year premium price guarantees.

We received responses from 12 states

History of the Catastrophic Reserve Account (CATFund)

Sec. 37.05.289. State insurance catastrophe reserve account.

(a) There is established in the general fund a state insurance catastrophe reserve account consisting of assets appropriated to it by the legislature, assets allocated to the account by the Department of Administration as provided in this section, and amounts deposited into the account as provided in this section. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program. Interest earned on money in the account shall be remitted to the Department of Revenue in accordance with AS 37.10.050.

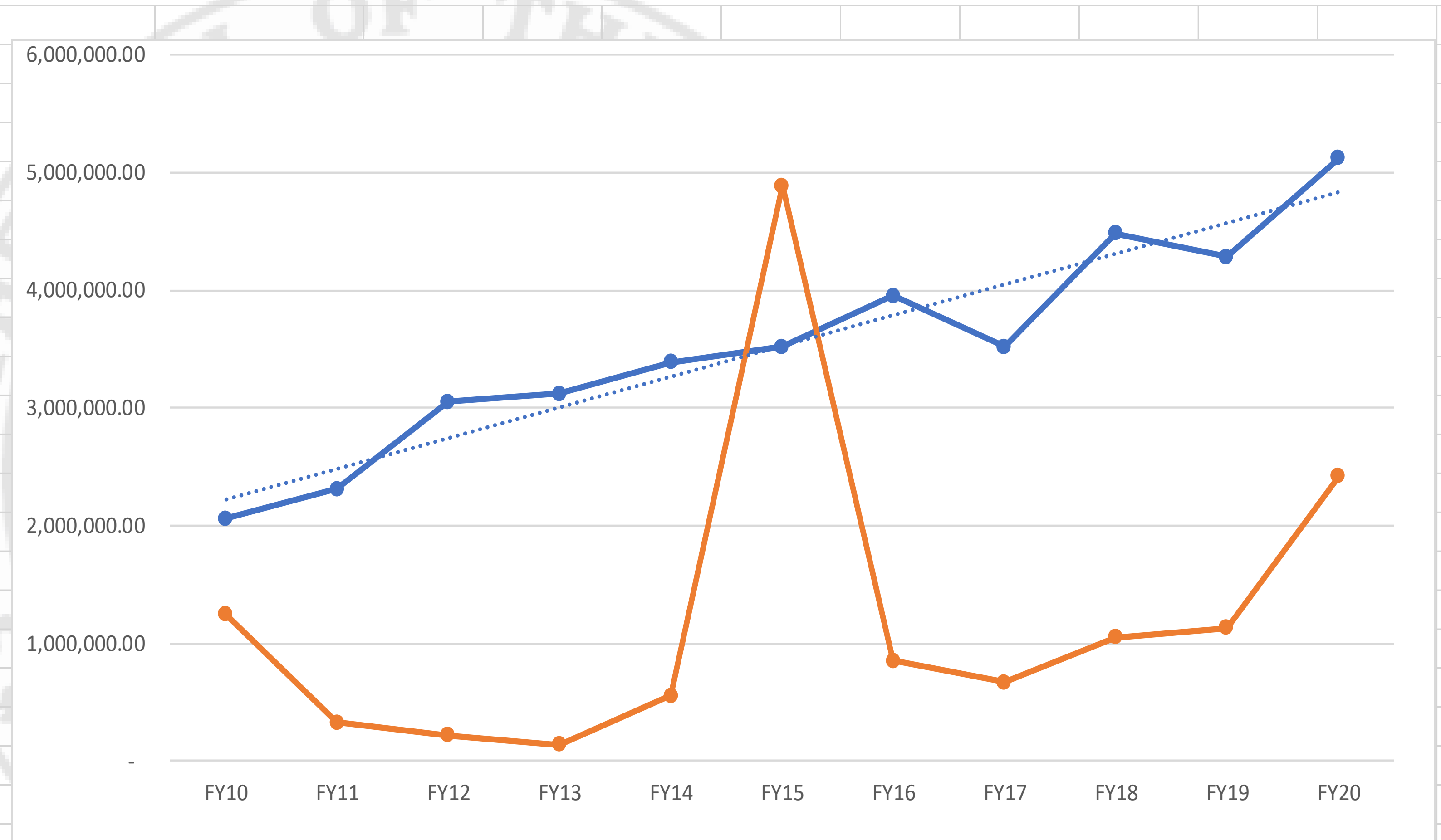
(b) The Department of Administration may allocate to the state insurance catastrophe reserve account, from the appropriations to all state agencies for insurance-related purposes, an amount that the commissioner of administration determines to be necessary to provide an adequate insurance program for the operations of state government. Money remaining in the account at the end of a fiscal year is not a one-year appropriation under AS 37.25.010 and does not lapse, except for amounts determined by the commissioner of administration to be unnecessary to maintain this account at an appropriate level and not to exceed \$5,000,000. If the amount necessary to satisfy claims or judgments for which payment may be due under the state insurance program in a fiscal year exceeds the unexpended balance of the amounts allocated to the account, the department may charge an additional amount from the unencumbered balance of any appropriation that is determined by the commissioner of administration to be available for lapse at the end of the fiscal year.

(c) The \$5,000,000 cap, set in (b) of this section, on money that may be retained in the state insurance catastrophe reserve account applies only to unobligated money in the account at the end of a fiscal year.

(d) Amounts received in settlement of insurance claims or as recovery for losses shall be deposited into the state insurance catastrophe reserve account.

10-year history of property premiums/losses

FISCAL YEAR	PROP PREMIUMS	PROPERTY LOSSES
FY10	2,061,843.00	1,244,906.00
FY11	2,310,286.00	326,352.47
FY12	3,050,126.00	220,190.00
FY13	3,117,942.00	141,890.46
FY14	3,389,966.00	556,612.81
FY15	3,521,533.00	4,885,306.78
FY16	3,953,259.00	850,422.30
FY17	3,518,538.00	668,751.69
FY18	4,479,693.00	1,051,496.86
FY19	4,282,910.00	1,130,821.91
FY20	5,118,935.00	2,418,913.30
		13,495,664.58



Spike in losses

FY15 due to the Crystal Lake Hatchery fire in March 2014. Total paid just over \$4,000,000

FY20 due to the claims from the November 30, 2018 earthquake in Anchorage, Total paid to date, \$1,263,631

FY20 due to a \$1,000,000 retention paid for a DOT maintenance shop snow collapse in McGrath.

10 year history of property payments compared to all lines of business

ARDATA Reports FY10-Present; ONLY PROPERTY			
FISCAL YEAR	PROP PREMIUMS	LOSS PAYMENTS	TOTAL PROP
FY10	\$ 2,061,843.00	\$ 1,244,906.00	\$ 3,306,749.00
FY11	\$ 2,310,286.00	\$ 326,352.47	\$ 2,636,638.47
FY12	\$ 3,050,126.00	\$ 220,190.00	\$ 3,270,316.00
FY13	\$ 3,117,942.00	\$ 141,890.46	\$ 3,259,832.46
FY14	\$ 3,389,966.00	\$ 556,612.81	\$ 3,946,578.81
FY15	\$ 3,521,573.00	\$ 4,885,306.78	\$ 8,406,879.78
FY16	\$ 3,952,259.00	\$ 850,422.30	\$ 4,802,681.30
FY17	\$ 3,795,316.43	\$ 668,751.69	\$ 4,464,068.12
FY18	\$ 4,282,910.00	\$ 1,051,496.86	\$ 5,334,406.86
FY19	\$ 4,435,391.00	\$ 1,130,821.91	\$ 5,566,212.91
FY20	\$ 5,118,935.00	\$ 2,418,913.30	\$ 7,537,848.30
	39,036,547.43	\$ 13,495,664.58	\$ 52,532,212.01
ARDATA Reports FY10-Present; ALL TYPES OF INSURANCE			
FISCAL YEAR	ALL PREMIUMS	ALL CREDITS	LOSS PAYMENTS
FY10	\$ 5,625,503.00	\$ -	\$ 38,322,997.00
FY11	\$ 5,775,140.95	\$ -	\$ 40,835,395.68
FY12	\$ 6,448,982.00	\$ -	\$ 41,167,877.00
FY13	\$ 6,695,671.73	\$ -	\$ 43,706,502.48
FY14	\$ 7,261,291.50	\$ -	\$ 47,522,650.89
FY15	\$ 7,618,977.00	\$ -	\$ 51,236,139.47
FY16	\$ 8,114,115.00	\$ -	\$ 39,355,380.26
FY17	\$ 7,939,340.00	\$ (54,000.48)	\$ 41,035,789.90
FY18	\$ 7,997,497.55	\$ -	\$ 36,670,077.88
FY19	\$ 8,403,934.86	\$ -	\$ 44,880,951.21
FY20	\$ 8,302,650.56	\$ -	\$ 44,969,851.96
	80,183,104.15	(54,000.48)	\$ 469,703,613.73

Larger claims paid out of the CRA (CATFund)



➤ AMHS LeConte Grounding May 2004	\$1,187,330
➤ F&G Crystal Lake Hatchery fire March 2014	\$4,078,137
➤ Alaska Aerospace Kodiak Launch Facility rocket explosion August 2014	\$1,513,667*
➤ PFAS claims starting in November 2017	\$5,877,555
➤ Earthquake related claims November 2018	\$1,263,631

* In the last 10 years, this is the only claim the State has collected excess insurance on.

Lapse Appropriations Summary

The State Insurance Catastrophic Reserve Fund, Fund # 3209, (Cat Fund) is part of the General Fund and Other Non-segregated Investments (GeFONSI). The GeFONSI are funds that have been pooled together for investment purposes. The Cat Fund is part of the Non-MOU group, which allows for the interest earned to be deposited back into the General Fund.

- The budget includes lapse appropriations to shore up certain state accounts up to statutory limits
- The Risk Management lapse appropriation is last to ensure sufficient lapse for the other accounts
- The total FY2021 projected UGF lapse is \$110.7 million

UGF Lapse Appropriations Summary (in thousands)

March 8, 2021

	FY2018	FY2019	FY2020
Working Reserve Account Lapse Contributions	\$ 1,142.8	\$ 476.5	\$ -
Group Health and Life Benefits Fund Lapse Contributions	\$ -	\$ -	\$ -
State Insurance Catastrophe Reserve Account Lapse Contributions	\$ 982.6	\$ 3,368.9	\$ 241.0
Total	\$ 2,125.4	\$ 3,845.5	\$ 241.0

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