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January 26, 2012

The Honorable Bert Stedman, Co-Chair and
The Honorable Lyman Hoffman, Co-Chair and
Members of the Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, Alaska 99801

Sent by e-mail: [Senator Bert Stedman@legis.state.ak.us](mailto:Senator_Bert_Stedman@legis.state.ak.us)
[Senator Lyman Hoffman@legis.state.ak.us](mailto:Senator_Lyman_Hoffman@legis.state.ak.us)

RE: Oppose SB 103

Dear Senators:

The Alaska Municipal League Joint Insurance Association (AMLJIA) opposes CSSB 103(L&C).

The AMLJIA is a not-for-profit risk pool formed in 1988 under AS 21.76. The AMLJIA administers a self-insurance program for 153 member local governments and school districts in Alaska. Within the membership, there are 38 local government members that have State of Alaska registered fire departments. These include professional and volunteer fire departments ranging from Coffman Cove to Yakutat, from Chefnak to Healy, from Barrow to Kotzebue, and from Fairbanks to Seldovia. The members fund their losses with contributions to the AMLJIA, which in turn purchases excess coverage on a group basis for the workers' compensation claims to provide statutory limits. It is important to understand that the costs of this legislation will be borne by the owner/members of the AMLJIA and other self-insured entities, including the State of Alaska.

As a direct result of the passage of the heart/lung presumption bill in 2008, the self-insured retention within the AMLJIA has now been increased to \$2 million. Based on negative experience elsewhere in the country, our largest excess workers' compensation carrier does not want to touch the firefighter exposure in Alaska. As I understand it, the Municipality of Anchorage, the Fairbanks North Star Borough and the State of Alaska have also had similar experiences. The constituents of self-insured entities are bearing these increased costs of both retained losses and increased premiums for excess coverage. Passing CSSB 103(L&C) and expanding the current law retroactively to firefighters that may not have ever had a qualifying medical exam will only exacerbate the problem.

At last week's hearing on this bill, the sponsor referred to the Preliminary Cost Impact Analysis offered by the National Council on Compensation Insurance (NCCI). He explained that the increase in loss cost rates may be "negligible." A closer reading of that preliminary analysis reveals that NCCI "assumed that there would be no cost difference for firefighters hired before and after August 19, 2008." That overlooks the possibility that there may be more firefighters in the equation.

Most of the volunteer fire departments did not offer any medical screenings prior to the enactment of the presumption. Would this then mean that the firefighter “received all the medical examinations provided by the department?” The current language in CSSB 103(L&C) can be read to eliminate the requirement for a qualifying medical exam for those who were volunteers prior to the presumption if the department did not offer medical exams. If that is not the intent of the bill, then that language should be made less ambiguous.

If the intent it is to offer a presumption for firefighter that did not actually take medical exams because the department did not offer them, then the retroactive nature of the bill means that insurance companies or programs like the AMLJIA that use actuaries to formulate contributions in advance, will bear the medical costs for firefighters that were never contemplated in the rates charged to their clients. The costs of this unfunded mandate will be borne by the constituents of the self-insured governments, forcing municipalities to make financial decisions that could result in decreasing or even in extreme cases eliminating their volunteer fire departments.

As you know, Alaska’s workers’ compensation rates are among the highest in the nation. Now is the time to fix our workers’ compensation problems, not make them worse by expanding benefits. Please consider the negative financial impacts this legislation would have on the State’s political subdivisions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin", with a stylized flourish at the end.

Kevin Smith
Executive Director