



National
Council on
Compensation
Insurance, Inc.

ANALYSIS OF ALASKA SENATE BILL (SB) 159 As Introduced March 20, 2009

Alaska Senate Bill (SB) 159 proposes to raise the maximum burial benefit from \$5,000 to \$10,000. NCCI estimates that SB 159 would result in a negligible increase in overall workers compensation system costs in Alaska.

Background and Bill Summary

Currently in Alaska, if an employee is fatally injured in a work-related accident, then the employer is liable for burial expenses up to a maximum of \$5,000, in addition to the other benefits required by Alaska statutes.

The proposed language of SB 159 would raise the maximum burial expense from \$5,000 to \$10,000. This bill would not change any other benefits.

Actuarial Analysis of Senate Bill 159

To estimate a cost impact if SB 159 were enacted, NCCI used CPS data for 1989-1993 and NCCI Detailed Claim Information (DCI) data for 1984-1993 for fatalities, to estimate the distribution of fatal cases involving widow alone, widow with children, parents, siblings, etc.

NCCI used annuity calculations to estimate the indemnity benefits payable for 1,000 cases, assuming each fatal claim receives the maximum burial benefit (\$5,000). Based on these calculations burial expenses represent 2.1% of overall fatal indemnity costs.

Other fatal benefit provisions are unchanged by this proposal. Thus, the projected cost impact from a 100% increase ($\$10,000 / \$5,000 - 1.0$) in the maximum burial expense is +2.1% on overall fatal indemnity benefits.

Fatal indemnity benefit costs comprise an estimated 2.8% of Alaska indemnity costs, based on workers compensation statistical plan data from the two-year policy period ending March 31, 2006. Therefore, the estimated impact on indemnity costs would be an increase of +0.1% ($= +2.1\% \times 2.8\%$). Indemnity benefit costs comprise an estimated 26.1% of Alaska's overall benefit costs. If enacted in its current form, NCCI estimates that overall workers compensation system costs in Alaska will increase by less than 0.1% ($= +0.1\% \times 26.1\%$).