House Bill No 102

Alaska Department of Administration Division of Risk Management

Director Scott Jordan

Thursday April 8, 2021 | House State Affairs

Purpose

- This legislation would change the Catastrophic Reserve Account (CATFund) from \$5,000,000 to \$50,000,000 unencumbered funds.
- The purpose is to allow the State to self-insure for property coverage.
- The State currently self-insures for Workers' Compensation and General Liability.
- Due to the global property insurance markets hardening, we saw a 30% increase in insurance costs from FY20 to FY21 and have been told to expect another 15% to 20% for FY22.
- Currently, the limit on catastrophic coverage is \$50,000,000 for an annual premium. By increasing the statutory cap, the State will be able to fully self-insure against property losses and in doing so save the annual premium.

History of the Catastrophic Reserve Account (CATFund)

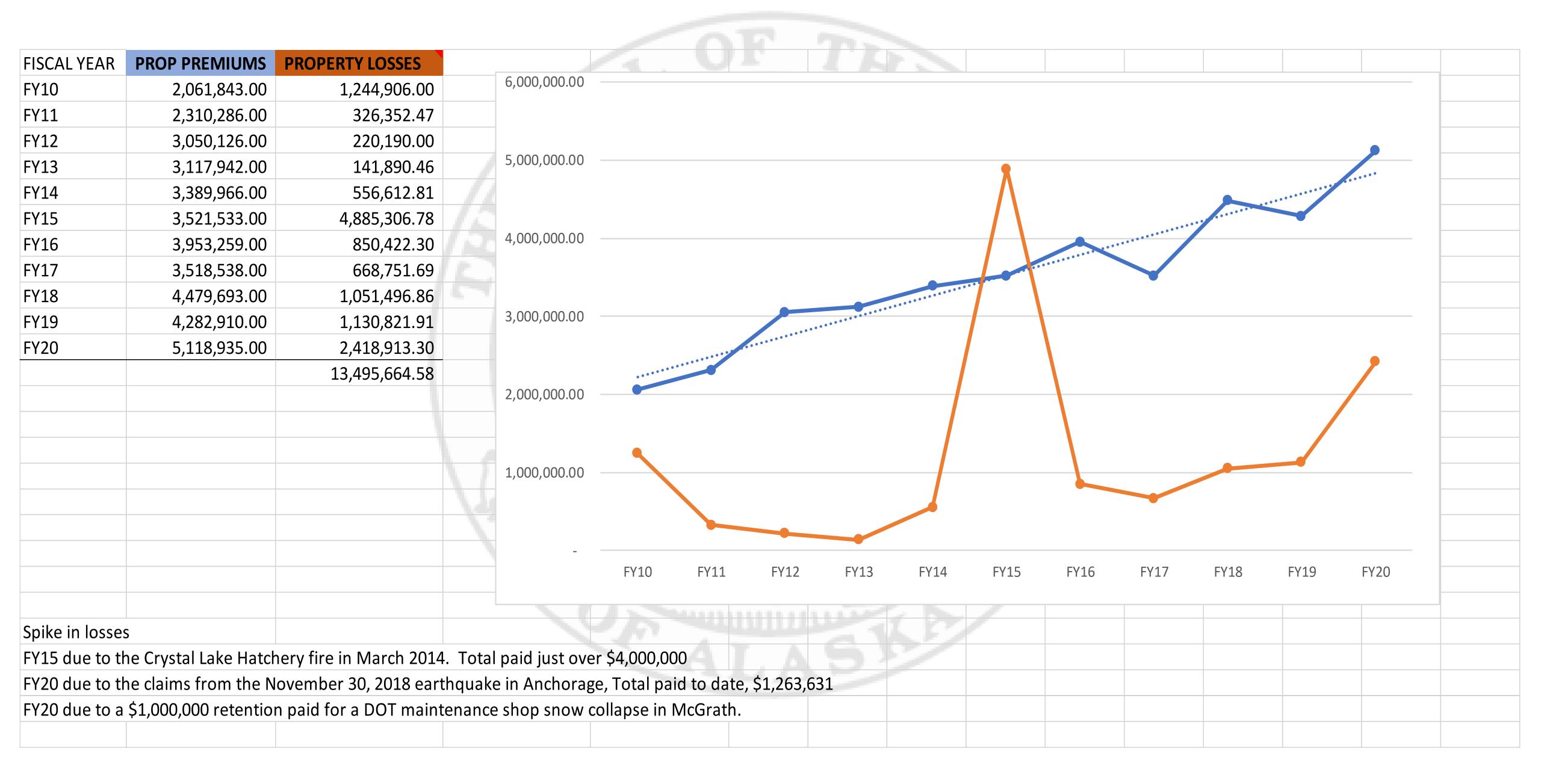
Sec. 37.05.289. State insurance catastrophe reserve account.

- (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.

Expenditures from the CATFund since inception

	6/30 Balance	Amount Needed for \$ 5 mil on 7/1	Lapse Sweep from Risk Mgt Appn.	Lapse Sweep - Other Agencies	Amount Short	3rd Party Recoveries and Misc. Receipts	Total Expended
FY88			3,421,253.00	1////			
FY89		1,578,747.00	1,578,747.00				
FY90		3,300,000.00	2,464,374.00	11///	_\^A\		836,000.00
FY91	1,631,171.00	3,368,829.00	no avail. lapse	3,368,829.00	- / Y Y Y	2,464,373.00	4,792,812.00
FY92	2,423.00	4,997,577.00	no avail. lapse	4,997,577.00	-124		7,586,187.00
FY93	894,418.00	9,105,582.00	no avail. lapse	9,105,582.00	-111	1,721,248.00	10,615,110.00
FY94	1,761,431.95	3,238,568.05	no avail. lapse	3,238,568.00		1,680,732.00	3,520,177.00
FY95	0.55	4,999,999.45	no avail. lapse	4,999,999.00	1 1 -1	2,419,468.00	6,503,231.00
FY96	76,348.83	4,923,651.17	no avail. lapse	4,923,651.00		1,060,724.00	6,004,651.00
FY97	2,248,119.65	2,751,880.35	no avail. lapse	2,751,880.00		1,649,588.00	3,349,144.00
FY98	25,316.03	4,974,683.97	no avail. lapse	4,974,684.00	4-4-1	641,028.56	4,326,865.00
FY99	1,923,003.72	3,076,996.28	no avail. lapse	1,194,473.68	1,882,523	3,675,408.71	5,173,490.00
FY00	595,234.11	4,404,765.89	no avail. lapse	2,747,201.00	1,657,565	1,881,227.00	2,739,654.00
FY01	1,262,902.40	3,737,097.60	no avail. lapse	3,737,098.00		2,401,937.59	8,164,040.24
FY02	91,155.45	4,908,844.55	no avail. lapse	4,908,845.55	475 dis 1914	654,010.44	8,253,712.00
FY03	31,367.00	4,968,633.00	no avail. lapse	4,968,633.00		2,209,797.00	9,460,362.00
FY04	29,344.00	4,970,656.11	no avail. lapse	4,970,656.11		1,505,030.57	6,872,626.95
FY05	_	5,000,000.00	no avail. lapse	5,000,000.00	arms.	675,283.00	7,025,194.93
FY06	0.20	4,999,999.80	no avail. lapse	4,999,999.80		913,528.55	5,040,982.34
FY07	76.28	4,999,923.72	3,720,803.15		1,279,121	662,948.69	2,921,395.19
FY08	303,503.12	4,696,496.88	2,091,901.17		2,604,596.00	676,518.28	3,061,913.41
FY09	946,391.99	4,053,608.01	3,427,445.51		626,163.00	1,099,985.60	5,569,395.22
FY10	4,544,477.71	455,522.29	137,974.70		317,548	1,478,796.69	2,329,146.38
FY11	331,796.60	4,668,203.40	50,049.90	4,618,153.00	0.50	383,989.90	4,704,645.71
FY12	12,590.47	4,987,409.53	50,147.73	4,937,261.80	7 '/-	(340,178.56)	5,129,207.08
FY13	1,802.35	4,998,197.65	16,753.82	4,981,443.83	/ / -	(1,633,782.34)	6,189,158.83
FY14	76.93	4,999,923.07	3,260.75	4,996,662.32	-	(567,501.81)	6,025,893.12
FY15	9,746.14	4,990,253.86	2,105,687.44	2,884,566.42	~ /	(403,902.06)	4,523,110.49
FY16	2,915,848.73	2,084,151.27	A 41.	1,794,122.22	290,029.05	(28,526.98)	642,635.00
FY17	5,021,189.05	(21,189.05)	A-I	A 33 22	(21,189)	(295,777.10)	2,181,078.27
FY18	4,105,647.61	894,352.39	9,744.82	891,903.00	(7,295.43)	(2,039,736.71)	_
FY19	1,951,885.16	3,048,114.84	320,807.78	3,048,114.84	(320,807.78)	(194,030.64)	2,127,451.95
FY20	4,758,977.40	241,022.60	241,022.60	_	(0.00)	(1,767,826.60)	3,684,049.28 149,353,319.39

10-year history of property premiums/losses



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

	ARD	ATA Reports FY	10-Pr	esent; ONLY PRO	PER	TY			
FISCAL YEAR	PR	PROP PREMIUMS		5 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			
			11111						
					-				
ARD	ATA	Reports FY10-P	resen	t; ALL TYPES OF I	NSU	RANCE			
FISCAL YEAR	SCAL 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	\$	111111111111111111111111111111111111111	\$	39,355,380.26			
FY17	\$	7,939,340.00	\$	(54,000.48)	\$	41,035,789.90			
FY18	\$	7,997,497.55	\$	A 5	\$	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)

> F&G Crystal Lake Hatchery fire March 2014

> Alaska Aerospace Kodiak Launch Facility rocket explosion August 2014

> PFAS claims starting in November 2017

> Earthquake related claims November 2018

\$1,187,330

\$4,078,137

\$1,513,667

\$5,877,555

\$1,263,631

Lapse Appropriations Summary

- 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	3) [6]					
March 8, 2021	AZAF					
	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 Total	\$	2,125.4	\$	3,845.5	\$	241.0

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