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Governor Mike Dunleavy
STATE OF ALASKA

February 17, 2021

The Honorable Peter Micciche
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Micciche:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the State Insurance Catastrophe Reserve Account.

The State of Alaska, through its self-insurance program, maintains insurance coverage to protect state assets and operations, and adequate reserves to satisfy all foreseeable claims or judgments. The State Insurance Catastrophe Reserve Account was established in 1987 to obtain insurance, establish a self-insurance reserve, and to satisfy ongoing claims and judgments. When it was originally established, the account was primarily intended as a reserve against large catastrophic losses. However, because the reserve balance is capped at \$5,000,000, the State has been acquiring excess coverage on the market to adequately protect against catastrophic losses. Market forces have changed, insurance rates continue to increase, and it is no longer cost effective for the state to purchase excess insurance. The Reserve's balance is typically capitalized through lapsing appropriations at the end of the fiscal year. By increasing the statutory cap to \$50,000,000 and slowly increasing the Reserve balance, the State will once again be able to fully self-insure against property losses. This change is estimated to save \$3 million the first year and up to \$6 million annually within four years.

This measure will provide the State flexibility, control, and cost savings in its self-insurance program.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy".

Mike Dunleavy
Governor

Enclosure