



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Administration

AMANDA HOLLAND, ACTING COMMISSIONER

550 W. 7th Ave., Ste. 1970
Anchorage, AK 99501
Main: 907.269.6293
Fax: 907.465.2135
www.doa.alaska.gov

April 13, 2021

The Honorable Jonathan Kreiss-Tomkins
Alaska State Capitol
Juneau, Alaska 99801

Re: House State Affairs Committee Hearing April 8, 2021

Dear Representative Kreiss-Tomkins:

Thank you for the opportunity to present to the House State Affairs Committee on April 8, 2021 regarding HB102 – State Insurance Catastrophe Reserve Account (CatFund). Below are questions that were asked during the hearing and DRM's responses:

1. How much did insurance carriers pay out during FY10 to FY20?
 - a. Alaska Aerospace, Kodiak Launch Facility, 2015-2019 recovery payments totaled \$33,031,131.01.
2. Is this fund managed for optimum funds claims payments and investment return?
 - a. The State Insurance Catastrophic Reserve Fund, Fund # 3209, (Cat Fund) is included in the General Fund and Other Non-segregated Investments (GeFONSI). Specifically, it is included in the GeFONSI II portfolio. The GeFONSI II has an asset allocation of 75% cash equivalents which is liquid in nature and conducive to paying claims as they arise. The GeFONSI II also maintains a 7% allocation to equities and an 18% allocation to fixed income, giving it a long-term expected return of 2.78%. All earnings from the GeFONSI II are transferred annually to the general fund which resides in the GeFONSI I. The GeFONSI I is primarily invested cash equivalents and fixed income, having a long-term expected return of 2.38%.
3. Is there any other action we (legislature) needs to take to maximize the fund for investment purposes?
 - a. No, the investment portfolio is managed by the Department of Revenue and there would be no need for further action to maximize the investment of the Catastrophic Reserve Fund, regardless of the balance of the fund.
4. Do other states self-insure their property coverage?

- a. Yes, there are states that have responded and the way they self-insure varies; some continue to insure with excess coverage, some set up Captive plans, which are essentially self-insured but managed by a separate entity. Some states such as Mississippi and Louisiana are mandated by FEMA to have coverage due to the large catastrophic losses. One state, Florida has a \$40mil retention for wind and flood events.
 - b. States that have responded are South Dakota, District of Columbia, Kentucky, Louisiana, Tennessee, Maine, Florida, and Ohio.
5. When was Worker's Compensation (WC) and General Liability (GL) switched to self-insured?
 - a. FY1992 self-insured Workers Compensation, FY2002 self-insured General Liability/Auto Liability (Oct 2001), FY2003 was first full year of self-insurance?
 - b. FY20 Policies:
 - Property – All Risk and Boiler & Machinery – Excess Insurance
 - Fine Arts – Excess Insurance
 - Marine Hull & Machinery and P&I (including Pollution Liability) - Excess Insurance
 - Federal Maritime Bond
 - Aviation (Aircraft & Airports) – Excess Insurance
 - Foreign Liability Insurance
 - Employee Fidelity Bond/Crime/Faithful Performance – Excess Insurance
6. How much were the premiums for Aviation and Marine last year?
 - FY20 Aircraft Premium \$483,250.00
 - FY20 Airport Premium \$346,691.00
 - FY20 Marine Premium \$3,188,961.59
 - FY21 Aircraft – Self-Insured
 - FY21 Airport Premium \$400,481
 - FY21 Marine Premium \$1,928,019.83 (50% share on hull losses)

Thank you for your time. Please let us know if we can be of further assistance.

Respectfully,



Kelly Hanke
Legislative Liaison