

The background of the slide features a large, faint, circular seal of the State of Alaska. The seal's outer ring contains the text "THE SEAL OF THE STATE" at the top and "OF ALASKA" at the bottom. The central image depicts a landscape with a sun rising over mountains, a body of water with a ship, and a reindeer in the foreground.

House Bill 102

**Alaska Department of Administration
Division of Risk Management**

Director Scott Jordan

April 20, 2022, Senate Finance

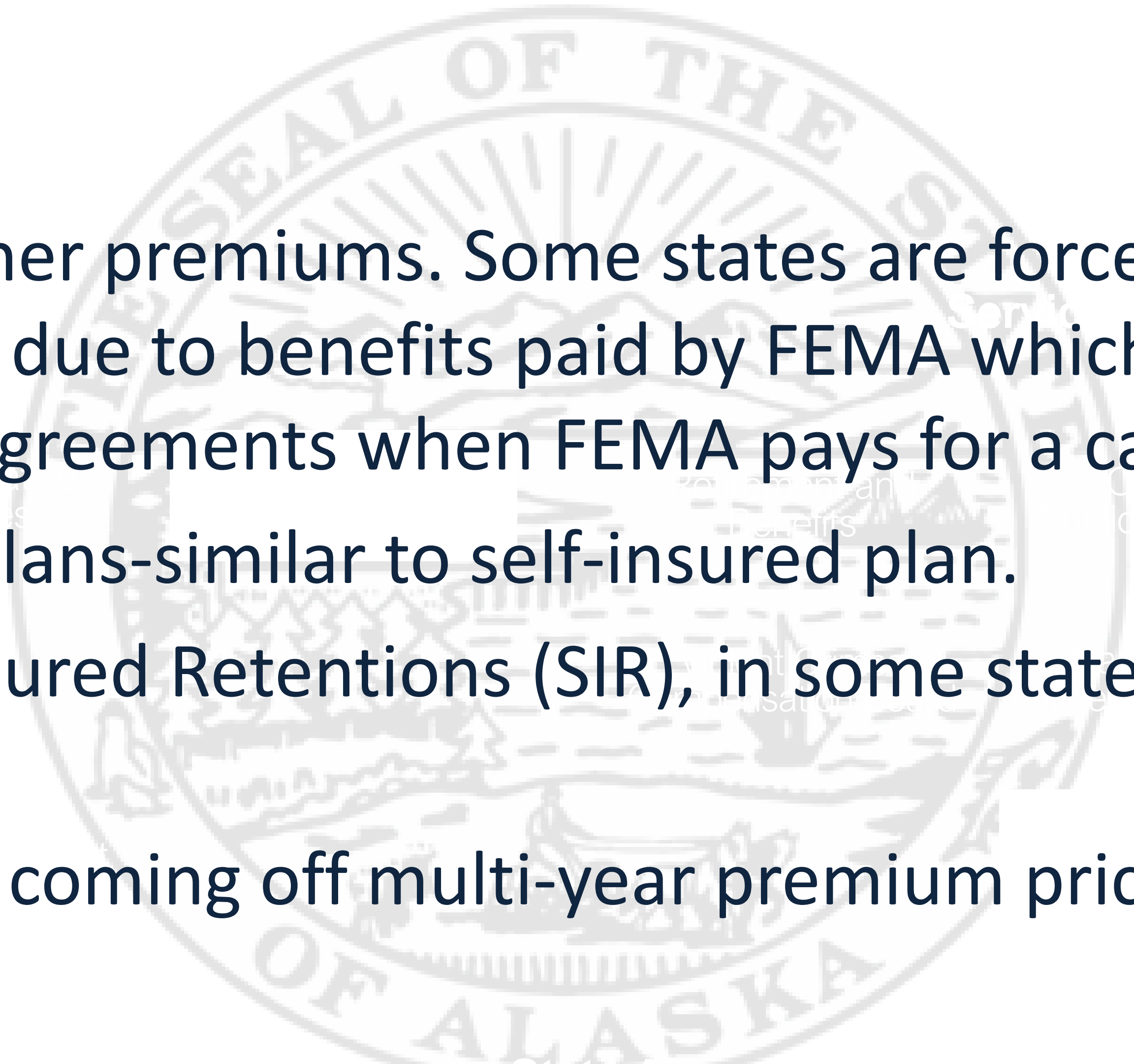
Purpose

The assets of the Catastrophe Reserve Account (CATFund) may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

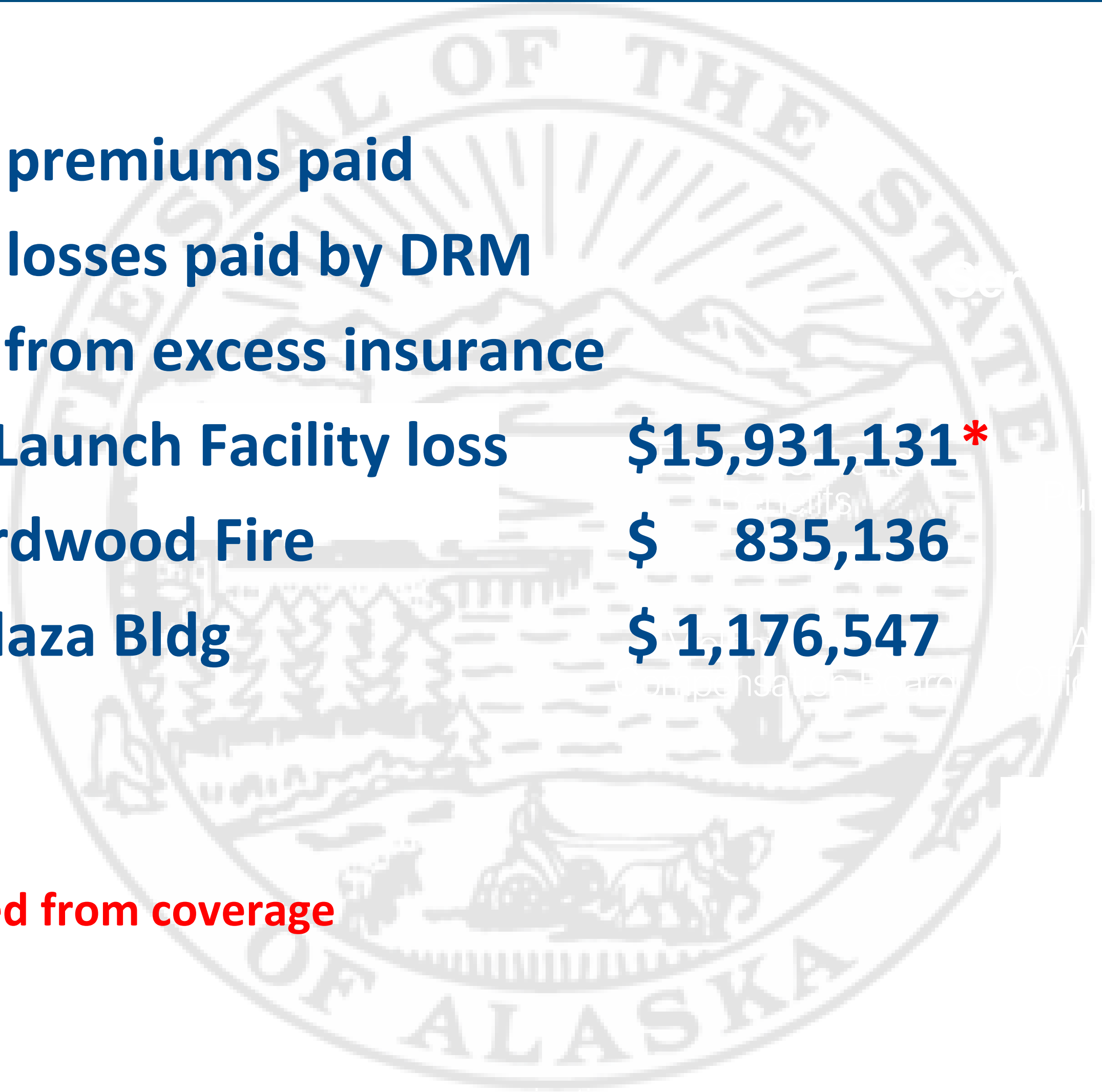
- The purpose is to allow the State to self-insure for property coverage.
- **HB102 will save the state \$3M in the first year and \$26M over the next 5 years (est.)**
- Due to global property insurance markets hardening we had a 30% increase in insurance costs from FY20 (\$5.1M) to FY21 (\$6.6M) and FY22 was (\$7.1M).
- HB102 is a request to change the Catastrophe Reserve Account (CATFund) limit from \$5,000,000 to \$50,000,000 unencumbered.
- Currently the limit on catastrophe coverage that can be purchased is \$50,000,000 for an annual premium. We can save that annual premium by self-insuring.

What other states are doing?

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- Just pay the higher premiums. Some states are forced to maintain excess coverage due to benefits paid by FEMA which requires “Obtain and Maintain” agreements when FEMA pays for a catastrophic loss.
 - Set up Captive Plans-similar to self-insured plan.
 - Increase Self-Insured Retentions (SIR), in some states \$40M to \$50M retention.
 - Some states are coming off multi-year premium price guarantees.

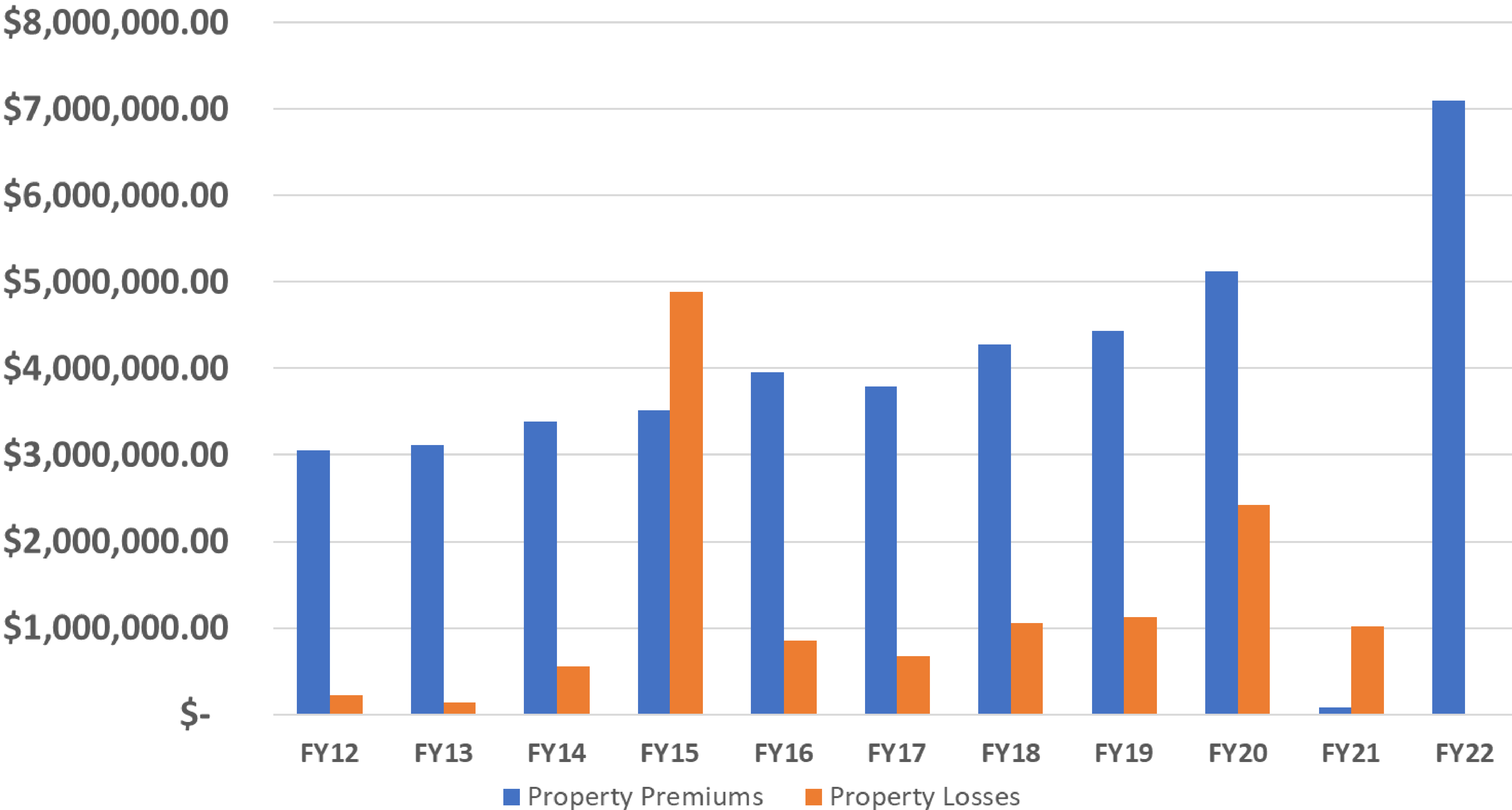
Comparison of premiums paid, property losses paid, recovery (excess insurance) FY95-2020



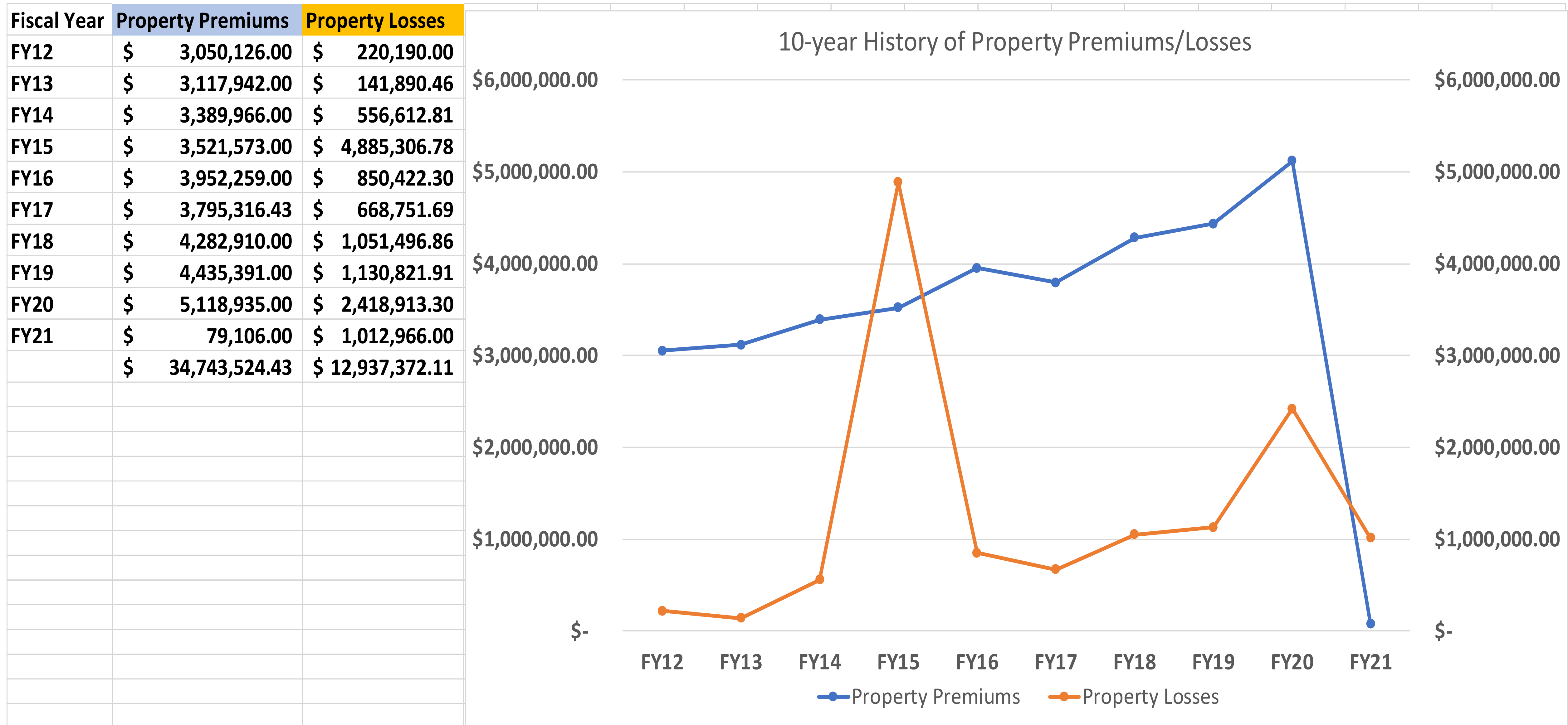
➤ FY95-FY2020 property premiums paid	\$59,017,386
➤ FY95-FY2020 property losses paid by DRM	\$26,145,207
➤ FY95-FY2020 recovery from excess insurance	\$17,942,815
FY2014 Kodiak Launch Facility loss	\$15,931,131*
FY2007 DOT-Girdwood Fire	\$ 835,136
FY2000 Court Plaza Bldg	\$ 1,176,547

*this type of claim is now excluded from coverage

10-year History of Property Premiums/Losses



10-year history of property premiums/losses



Lapse Appropriations Summary

The State Insurance Catastrophic Reserve Fund, Fund # 3209, (Cat Fund) is part of the General Fund and Other Non-segregated Investments (GeFONSI). The GeFONSI are funds that have been pooled together for investment purposes. The Cat Fund is part of the Non-MOU group, which allows for the interest earned to be deposited back into the General Fund.

UGF Lapse Appropriations Summary (in thousands)				
Update April 18, 2022				
	FY2019	FY2020	FY2021	FY2022*
Working Reserve Account Lapse Contributions	476.5	-	5,001.0	5,000.0
Group Health and Life Benefits Fund Lapse Contributions	-	-	-	-
State Insurance Catastrophe Reserve Account Lapse Contributions	3,368.9	241.0	1,129.4	6,089.0
Totals	3,845.4	241.0	6,130.4	11,089.0
*This is based on the projected UGF lapse reflected in the Executive Branch Lapse Report released March 9, 2022.				

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