

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE LABOR AND COMMERCE STANDING COMMITTEE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE
January 28, 2004
4:10 p.m.**

TAPE(S) 04-2

MEMBERS PRESENT

SENATE LABOR AND COMMERCE

Senator Con Bunde, Chair
Senator Ralph Seekins, Vice Chair
Senator Gary Stevens
Senator Hollis French

HOUSE LABOR AND COMMERCE

Representative Tom Anderson, Chair
Representative Carl Gatto, Vice Chair
Representative Nancy Dahlstrom
Representative Bob Lynn
Representative Norman Rokeberg
Representative Harry Crawford
Representative David Guttenberg

MEMBERS ABSENT

SENATE LABOR AND COMMERCE

Senator Bettye Davis

HOUSE LABOR AND COMMERCE

All members present

COMMITTEE CALENDAR

^OVERVIEW: WORKERS' COMPENSATION

- Linda Hall, Director, Division of Insurance
Department of Labor and Workforce Development, PO Box 21149
Juneau, AK 99802-1149

- Mr. Paul Lisankie, Director, Division of Workers' Compensation, Department of Labor and Workforce Development, PO Box 21149, Juneau AK 99802-1149
- Ms. Lori Wing, President, Alaska Independent Insurance Agents and Brokers Association, PO Box 112908, Anchorage AK 99511-2908

SUMMARY OF INFORMATION

CO-CHAIR TOM ANDERSON convened the joint meeting of the Senate Labor and Commerce Standing Committee and the House Labor and Commerce Standing Committee at 4:10 p.m.

CO-CHAIR CON BUNDE took over the gavel and announced that Ms. Linda Hall would give an overview of Workers' Compensation.

MS. LINDA HALL, Director, Division of Insurance, Department of Labor and Workforce Development, said she would present a short history of workers' compensation, how it affects employers, the current status of the workers' compensation market and the crisis facing the Guaranty Fund. She introduced Mr. Lisankie, Director, Division of Workers' Compensation, who would brief them on the history of the program.

MR. PAUL LISANKIE, Director, Division of Workers' Compensation, said he had been director for about 24 days, but had worked in the field of workers' compensation for 20 years within the State of Alaska. He spent the last 10 years as an attorney representing clients in workers' compensation matters and the last six years as an assistant attorney general in the Department of Law, Civil Division, Torts and Workers' Compensation Section, representing the state of Alaska, a large self-insured workers' compensation employer. He said:

The part that's working in Workers' Compensation, it appears quite well, is the historical trade off between the rights of employees and the rights of employers that resulted with the Workers' Compensation system in lieu of having a series of lawsuits between employees who get injured on the job and their employers.... It avoids a multiplicity of lawsuits and reflects that trade off between the historical rights of employees to seek damages through the tort system just like anybody else and also, it trades off the rights of employers to defend themselves saying they weren't negligent. As we all know, Workers' Compensation is a no fault system and it doesn't

matter why an injury happens other than trying to avoid it happening a second time. From a legal standpoint, it's no fault....

MR. LISANKIE said the act was put forward in 1988 and amended in 2000 and further that:

The intent was expressed so as to insure the quick, efficient, fair and predictable delivery of indemnity and medical benefits to injured workers at a reasonable cost to the employers who are subject to the provisions of the act.

He related that data collected by the Workers' Compensation Division on an annual basis indicates some of the major cost drivers that are contributing to some degree to the observed problems. The last year that data [contained in the annual report] had been analyzed was 2002. The number of reported injuries and occupational diseases went down from about 28,000 in 2001 to less than 26,000 in 2002 (7.8 percent). That's the only thing that went down. Benefits all went up, some of them significantly.

He said that indemnity payments, time loss for people who were unable to work because they were injured, increased from \$62.5 million in 2001 to \$65.3 million in 2002 (4.5 percent). Injured workers are also entitled to reemployment benefits and in 2001, the expense for the entire reemployment benefits program was \$13.1 million and in 2002, it was \$15.7 million (up 19.9 percent).

MR. LISANKE said the division tries to stay on top of the results of the reemployment benefits program and the best they can figure is that in 2002 only 28 people completed retraining plans. He hastened to add that the entire \$15.7 million was not aimed at those 28 people. Other people in the program are not necessarily expected to exit it in that calendar year. Based on that data there is reason for concern about the results they are getting.

Payment of medical benefits is the other major cost driver, and those increased by 11.5 percent from 2001 to 2002. The total amount of medical benefits paid in 2001 was \$95.6 million and in 2002 it was up to \$106.6 million. This is the first year the medical benefits exceeded 50 percent of all the benefits that were paid under the rubric of Workers' compensation. "So, it's becoming the benefit that's absorbing the program."

There are some questions about what the Workers' Compensation Board and the division can do in regard to addressing medical benefits. A provision in the act says that every year the board can review medical charges to make sure they do not exceed usual, customary and reasonable fees. A regulation defines a usual, reasonable and customary fee to be at the 90th percentile level, the level at which 9 out of 10 bills are paid. The statute suggests that the review has to be done within the framework of what is usual, reasonable and customary. Some states set a value-driven cap on service, such as with Medicare, but he didn't think language in our statute would allow that. The board might consider resetting the percentile.

MR. LISANKIE said another question is whether legislative intent is being lived up to with the proliferation of board panels. When the law was passed originally, the entire board consisted of three people. If there had to be a hearing to resolve a dispute, it was the same three folks. They could make the kind of decisions people could plan around. This is important, because workers' compensation decisions are not conceived of as being directly binding or setting precedent. In 1965, two panels were created instead of one and the commissioner of the Department of Labor or his designee was the third person on each of them. Now there are seven panels. Mixing and matching the seven management members, seven labor members and seven or eight hearing officers can conceivably create about 300 or more different combinations and if there are disagreements about what the law says, it is difficult for someone like an attorney to try and advise his client about what they should do to conform their behavior to the act. He also noted that panels are manned by volunteers who get paid \$50 per day and there is only so much you can expect them to do.

CO-CHAIR BUNDE said he received information about workers' compensation reform in Oregon and asked Mr. Lisankie if he is familiar with it.

MR. LISANKIE replied that he had seen the information, but had not had time to review it in great depth.

REPRESNETATIVE NORMAN ROKEBERG said the Attorney General's office was working on restructuring workers' compensation methodology and asked if he had worked on it with them.

MR. LISANKIE replied that he had input into it when he was working in that office.

CO-CHAIR BUNDE thanked him for his testimony and introduced Lori Wing, President, Alaska Independent Insurance Agents and Brokers Association, to give the next presentation.

MS. LORI WING, President, Alaska Independent Insurance Agents and Brokers Association, gave the committee an insurance broker's perspective saying:

We're trying to get them [a client] a work comp policy that is competitive in the market place, but is also cost effective for them. We also work with the insurers, because that's who is supplying the insurance policy. On occasion, we work with the claimants, their employees.

She said that workers' compensation is required by statute, but most employers are also in some sort of contract where they are required to provide it as a part of the contract. She explained:

Those contracts will ask the employer's insurer to release them from any potential right of recovery against the owner of a project. In other words, if you were walking through a building and were a tenant in this building, our lease may say that our insurer waives all rights against the owner of the building. If you slip and fall or such, the work comp carrier will pay the claim, but they have no right or recourse to go back against the building owner for an unsafe building, just as an example. That does have an impact on claims when they are paid, but it is the cost of business for the employer to do business. He's going to sign the contract; he needs to sign the contract to keep people employed. It's just one of the downsides of the contracts.

Who is providing the workers' compensation policies in Alaska? If you look at who is registered or who is authorized to write insurance in the State of Alaska, there are approximately 400 insurers right now.... Of those 400, approximately 100 are filed to write workers' compensation. Of those 100, approximately 15 are actively or currently writing workers' compensation in Alaska. Of those 15, eight actually write workers' comp and of those eight, about four write in Interior Alaska - in rural Alaska.

She informed them that most of the employers in Alaska are subject to four companies and that some companies file up here [in Alaska] for one reason - because they have an account with a big employer like J.C. Penny or BP Alaska. The eight companies who are writing in the Anchorage Bowl, Fairbanks, the Kenai Peninsula Borough and Southeast Alaska have minimum premiums set in some cases and might also be subject to not writing certain types of business. From a broker's perspective, the pickings get slimmer and slimmer as to who will write workers' comp for the employers in this state.

In 2002, one company wrote the predominant workers' comp in Alaska. They stepped up to the plate on numerous occasions when others wouldn't and for that the state should be thankful. Others don't write workers' compensation because in some instances they don't like the type of business or in other cases, they don't like the location.

MS. WING explained when Kemper Insurance became insolvent, its business transitioned to Eagle Pacific and Lumbermen's Mutual. She said for an insurer to be able to write coverage in Alaska:

They want to know that they are going to meet certain premium levels and usually those premium levels are quite substantial. It has to be worth their time to come in and set up an office to educate the public to their existence, to file rates and forms, to hire underwriters, to hire claims adjusters to do business in a certain area. They also have to be priced competitively to make a profit and they have to also be able to cost effectively provide services such as claims administration and loss control services to the consumers, to their insureds. Most insurers do not feel that Alaska is big enough to do that.

Why so few insurers are writing workers' comp? We look at the combined loss ratios over the last few years for Alaska. Generally speaking, they want to see a combined loss ratio of less than 100 percent, meaning for every dollar they take in, how much they are paying out in claims. In 2000, for every dollar that was taken in, the insurers were paying out \$1.60. In 2001, the statistics show that they are paying out about \$1.20; and 2002 and 2003, I believe are going to be higher than 120 percent.

How, why and what happened? Insurance is cyclical and we go from a hard market where insurance is very hard to get as far as decent terms and conditions and pricing is to a soft market. We were in a soft market for a number of years. We've forgotten in some respects what we paid in 1980; we forgot what we paid in 1990; and around 2001, the hard market hit us and it hit us hard. It did not just hit Alaska; it hit worldwide, in all honesty - 2001 I'll give some statistics as to what happened - the difference between the net loss that the insurers took in 2001 as opposed to the net income they had in 2000. The events of September 11 had a great impact on the insurance market and while we can look and say that happened in New York and how could it impact us, the insurers doing business up here from Alaska National to the [indisc.] and like such - they buy reinsurance behind them. If you follow that trail back, you'll see that the same reinsurers were the ones doing business in New York as the ones doing business in Alaska. When they lost money in New York, they were kind enough to pass it on down to us here in Alaska.

All the events and inadequate reserves that were set had an impact on the insurance market from Enron to pharmaceuticals to also decline in investment income. So, you add it all up and we like to think of it as you had some underpricing of premiums, credits to insureds, you had rising medical and indemnity costs, you had catastrophic events and you had a decline in investment income and what you end up with is almost like "A Perfect Storm."

I showed some statistics as far as property rates. If you were paying 50 cents in 1987, I show how it continued to go down until 1999/2000 when it started to come back up. Property rates in 2002 probably doubled from what they were in 2001. Again, to put it into perspective, my next slide shows that if you're paying \$100,000 for a property premium in 1987 without any regard for inflation, you're probably paying that again in 2002....

I'm also showing the same scenario for casualty rates. Workers' compensation we're feeling more than other insurance, because it is in most cases the largest premium that the employers are paying.... The premium

is developed off of actual payroll; each job classification is assigned a loss cost. Employers are subject to an experience mod, which is a reflection of their individual loss experience. It could be a credit or a debit. It may be subject to other grading factors and the programs may be written as a guaranteed cost or as a loss sensitive program - loss sensitive meaning that it's a deductible program or perhaps retrospectively rated, meaning that we're going to come to some agreement with the insurance company that if our losses come to this point, that they're going to give money back to us. If they exceed this point, we're going to pay more. It's a loss sharing mechanism.

What makes up the loss costs? The loss costs are actually the actual or expected losses for any individual classification in Alaska. They're based on historical, but they're trended forward to future. The insurers, then, take the advisory loss costs issued by the state and they add on for their own profit and expenses. That's what the insureds, the employers we refer to, use as their rate for work comp.

Predicting loss cost is hard to do and that's been a problem with the employers and with the insureds. I can't tell them what their loss costs are going to be in 2006 or 2007. We have done a very good job as an industry both in Alaska and nationally of talking about medical insurance and the availability to employers or to the employee of how much you're going to have to bear and how much the employers are going to have to pay.... This always impacts the bottom line for any organization. We have not taken that same data and said that same health cost is impacting the workers' compensation and it has.... We have not done a very good job of saying the increased cost of health insurance has every bit of an impact on workers' compensation.

MS. WING informed them that workers' compensation pays for medical costs, lost wages, impairment rating and rehabilitation. There is also a small death benefit associated with it. She explained that Alaska bills on the whole person theory, meaning that the whole person is worth \$177,000 and an impairment rating is based on a 1 percent to 100 percent rating for an injury.

American Medical Association guidelines are used as well as subjective considerations.

One employer paid \$292,000 for workers' compensation in 1999 and it is up to \$524,000 this year - a dramatic impact.

The Association feels there has to be a better solution than continuing to raise rates. It has an impact as far as some insureds staying in business, but the system needs to be looked at and changed. She concluded saying:

I don't know of an employer that does not want to take care of their employees, but I also know most employers don't want to go out of business because of work comp premiums.

CO-CHAIR BUNDE asked her to look at what Oregon did to see if Alaska could profit from that experience. She indicated she would be happy to do that. He commented that companies build a reserve fund to be able to ride out the low years and a ten-year cycle probably wouldn't look so dramatic.

MS. WING responded that going far enough back in history would probably make that true. In the last few years, asbestos, tobacco and some pharmaceuticals claims were under-reserved and she didn't know how that would play out.

REPRESENTATIVE CARL GATTO asked when someone files a claim, are some medical records not available because of confidentiality.

MS. WING replied that brokers don't review records, but adjusters and employers have to comply with the Health Insurance Portability and Accountability Act (HIPAA).

REPRESENTATIVE NORMAN ROKEBERG asked if Kemper had been declared insolvent.

MS. WING replied that she didn't know if they had been declared insolvent, but they had ceased doing business and sold off all their business to different insurance companies.

But to the best of my knowledge I don't believe they are in liquidation.... Almost insolvent - I think they came real close. I don't think I've ever seen an insurance company give up what they consider their rights to renewal and transfer the business to another insurer as quick. Kemper, which was a national

company, well respected - 100 years old and I thought as stable as a rock - three months in and they were gone.

REPRESENTATIVE ROKEBERG asked if they sold their obligations, too.

MS. WING replied no.

REPRESENTATIVE ROKEBERG said the National Council on Compensation Insurance (NCCI) set rates and the department promulgates regulations to adopt those rates. He asked if she had an opinion about whether the rates were set and promulgated too low for the last eight years and helped contribute to some of the problems and insolvency.

MS. WING replied that she doesn't have access to the information that the NCCI has but, in her opinion, they were too low.

REPRESENTATIVE ROKEBERG asked if NCCI recommends a range of rates and then it's up to the department to estimate.

MS. WING replied that Ms. Hall, the director, could better answer that.

CO-CHAIR BUNDE noted that he talked to a businessman who said he thought the rates were set too low and decided on his own to pay higher rates. He asked Ms. Hall to comment further.

MS. HALL reemphasized in the last six years, Alaska went from a loss ratio low of 99.9 percent to a high of 154 percent, for an average of 123 percent. The national average for that same six-year period is 118 percent. "So, we are experiencing in Alaska a higher loss ratio than is being experienced nationally."

REPRESENTATIVE ROKEBERG asked her to explain loss ratio.

MS. HALL explained that it is the amount of money expended compared to the amount of money taken in. This means for every dollar taken in with a 154 percent loss ratio, \$1.54 is being spent. Workers' compensation has not been profitable for insurance companies for at least the last six years.

She said that she recently approved rate increases for workers' compensation to be effective on January 1. Rates were increased by 21.2 percent on the average - the largest increase since

1988, but it actually puts rates at the same level they were in 1992.

CO-CHAIR BUNDE asked if that means that the rates will now be what they were in 1992. She indicated that was correct - they went down and now they are going back up.

Since 1988, rates decreased in nine years, remained flat in two years, and had modest increases for five years (3 percent last year and 10 percent the year before that).

MS. HALL pointed out that there has been a decrease in the number of claims, which is good; but that tended to mask the increasing cost of claims, which is now catching up with the leveling out of the number of claims.

MS. HALL explained that the assigned risk pool is another aspect of workers' compensation. If an employer cannot obtain workers' compensation through the voluntary market, there is an assigned risk pool that will write the coverage. Today, approximately 17 percent of the state's workers' compensation business is written in that pool, most are small employers. Ninety-three percent of the policies are under \$10,000. The policy count includes the clerical classification, retail stores, restaurants, single-family dwellings for carpentry and physicians' offices - not necessarily high-risk employers.

The assigned risk pool has been losing money at an even faster rate than the voluntary traditional insurance market. Currently, when the claims costs exceed the premium collected in the assigned risk pool, that difference is an assessment to insurance companies. Insurance companies pay that from their profits or lack thereof.... Right now Alaska has the highest assigned risk pool assessment of any state in the country and that is at 6 percent. So, right off the top, our insurance companies are paying 6 percent of their direct written premium back into the pool to subsidize those losses. This is creating an additional burden on insurance companies and making Alaska a less than attractive market place.

MS. HALL said that new legislation would address that. The biggest thing she wanted to talk about is the crisis in the Alaska Insurance Guaranty Association.

The Guaranty Association is formed under Alaska statutes and it is a group of insurance companies. Any insurance company that writes business in Alaska must belong to the Guaranty Association. The purpose of the association is to minimize financial loss to claimants and policyholders because of the insolvency of an insurer. The Guaranty Association pays the claims in the place of an insolvent insurer. When an insurer is declared insolvent, their claims are sent to the Guaranty Association. There have been claims for insolvent insurers in Alaska for twenty plus years. It's not an unusual thing to occur. We have had in the last three years, 46 property casualty company insolvencies. This is not a unique problem in Alaska; it is a national problem. We're seeing a rash of insolvencies with devastating effects.

In July 2003, Fremont Indemnity Company was declared insolvent by the California courts and we received notice of that the day after it happened. While Fremont had not actively written business since early 2001, when they actively wrote business, they had approximately 27 percent of the Alaska market. When they were declared insolvent, their outstanding claims and claim reserves liabilities totaled \$60 million. This insolvency is of a magnitude never dreamed of in the history of the Guaranty Association. So, it has over-taxed the ability of the Guaranty Association to handle those claims. There are three other insolvent workers' compensation insurance companies whose claims are being handled in the Guaranty Association. Those would be Reliance, Paula Insurance and Legion.

These claims are sent to the Guaranty Association. The Association in turn makes an assessment on insurers and that is currently capped in statute at 2 percent of their net direct written premium. That assessment is able to be passed on to policy holders.

CO-CHAIR BUNDE interrupted to ask if the Guaranty Association is funded by a 6 percent surcharge.

MS. HALL replied no, that assessment is for the assigned risk pool and right now that has a deficit of 6 percent. The Guaranty Fund assessment is 2 percent; the assigned risk pool assessment is paid strictly by insurance companies. The assessment for the Guaranty Association is passed on to policyholders and it will

be shown on the face of an insurance policy. Based on 2002 premiums, that 2 percent cap raises \$4.2 million - and there are \$60 million in Fremont claims, which, however, is payable over a number of years.

TAPE 04-2, SIDE B

MS. HALL said that payments to the Guaranty Association are \$1.7 million to \$1.8 million per month. She recapped that they are raising \$4.2 million annually and paying out at a rate of 1.7 percent per month. "So, we do have a serious cash flow problem."

In August, she received a letter from the Guaranty Association indicating they were going to begin prorating claims payments. This is an absolutely unacceptable alternative, although it is allowed by statute.

What it meant is that at some time, and I'm going to use 50 percent as an example, injured workers would receive only a portion of their indemnity payment, which is really their loss of wages when they are unable to work. They would receive only a portion of their medical benefits. I, frankly, have a hard time imagining they're going to get medical treatment for very long if their doctors are being paid 50 percent of the bill. So, we have a devastating affect to an injured worker, because they're receiving only partial benefit.

The other piece of that is the effect on the employer. The workers' compensation obligation is an obligation of the employer under statute. That obligation is typically satisfied through the purchase of a workers' compensation insurance policy. When that insurance company fails, I just talked about how that insolvent company's claims go to the Guaranty Fund. When those claims go to the Guaranty Fund and there's no money to pay them, that obligation for the workers' compensation benefits will go back to the employer. So, what we have now is an employer who has in good faith purchased an insurance policy thinking that would satisfy their workers' compensation obligation and now they get back that obligation.

To give you an idea of the magnitude of the problem, currently of the four companies whose claims are being handled in the Guaranty Fund, there are approximately

700 injured workers. So, we're talking about a significant number of injured workers who stand to potentially have claims prorated. We have approximately 400 employers whose claims of their injured workers are in this same Guaranty Association. Claims range in size from - there's one claim in the Guaranty Fund of approximately \$5 million. We're not talking inexpensive claims. We have two in excess of \$2 million, probably 100 in excess of \$100,000. My concern and one of the reasons we're here today is to let you know the situation. I think most of these are small businesses. Most small businesses are operating on very minimal profit margins. If that employer, that small business, would get back this workers' compensation benefit obligation, it's likely to create financial ruin, frankly. I don't think any of them probably have the real financial capability of picking up that benefit obligation.

REPRESENTATIVE GATTO asked if a person works for a large employer and also has medical insurance, has a workers' compensation claim, and the employer goes into chapter 11, could regular health insurance cover the claim (even though they have no way to recoup it through workers' compensation). "Would they come back to the injured party and say, 'We're going to deny your claim?'"

MS. HALL replied, "Most group health insurance policies very specifically exclude workers' compensation. So that would not be a source of benefit payments."

She continued to explain:

The actual prorating of claims did not occur through some very diligent efforts of the Guaranty Association Board. The Division of Insurance has worked with them - there's really been an effort nationally to work with Alaska. No state has ever had workers' compensation claims prorated and we've had huge support from other states trying to work with us and help us find sources of money. California, Office of the Liquidator, has made loans to our Guaranty Association based on potential asset distributions later of \$5 million - \$4.5 million based on the Fremont estate and \$.5 million on the Paula estate.

In January, another assessment - there was an assessment done in August of the 2 percent - there was a second assessment in January. The end of the December, we also received \$2.6 million from the State of Pennsylvania, an early distribution from the Reliance estate. So, there have been enough incoming funds to not have to prorate claims, but the sources of those monies are quickly drying up. The Guaranty Fund will actually run out of money probably in April - is the projection right now - based on the current rate of claims payments. The maximum gap right now projected would be reached in 2008 - the cumulative deficit - and that's about \$25 million. Again, we have claims - some of them are settled - some employees get better and they go back to work, but some work comp claims have very long tails.

I guess in closing.... I would emphasize that Alaska needs a healthy workers' compensation marketplace. We need a stable environment that's sustainable, that would encourage current companies to continue to do business here and attract new markets.

A healthy work comp environment depends on a variety of factors - adequate rates, a self-funded assigned risk plan, a cooperative regulatory environment and a sound workers' compensation system.

MS. HALL said SB 276 and HB 403 addressed the funding crisis and that another bill deals with reform.

CO-CHAIR BUNDE said he looked forward to working with her on these issues.

SENATOR HOLLIS FRENCH asked if it was correct that the workers' compensation fund had no profit for six years. Ms. Hall indicated that was correct.

SENATOR FRENCH followed up asking if she said there were nine years of rate decreases in the same business. She indicated that was correct.

SENATOR FRENCH asked why rates kept going down when the industry wasn't making money.

MS. HALL replied:

The rate decreases occurred in the early to mid-90s. They undoubtedly do have some overlap. Rates are based on actuarial analysis and actuarial assumptions. Without getting into technicalities, they're based on Alaskan experience, loss experience, actual loss cost; they're based on countrywide experience. Alaska really doesn't have a large enough marketplace to have sound actuarial data by itself. So, it's a combination. The third aspect of that would be trending and projections. Some of those projections have not been adequate. In hindsight some of those rates probably were not adequate, but it is hindsight. We are working diligently to look at that ratemaking process and to find ways to make that going forward we don't have inadequate rates. Our responsibility as the regulatory body is to make sure that rates, this is in statute, are neither excessive, inadequate, nor unfairly discriminatory. I would focus today on the inadequate or excess and how you draw that line.

REPRESENTATIVE ROKEBERG asked Ms. Hall if there were any procedural steps she was taking or was she just doing the right thing so far.

MS. HALL replied that proration of benefits is in statute for the Guaranty Association. If the fund didn't have sufficient money to pay projected claims for the upcoming year, it would need to prorate claims or spend what they have and stop totally. The Guaranty Association steps in the place of an insolvent insurer. A local claims adjusting office is a third-party administrator and they review claims and make claim settlements and claim payments on behalf of the Guaranty Association.

REPRESENTATIVE ROKEBERG asked if people had looked at the asset base of the Guaranty Association to keep from going to proration.

MS. HALL replied that there had been efforts industry wide to help resolve the situation. For instance, after Hurricane Andrew, Florida's Guaranty Fund did a bond issue until they could pay back the claims, because of a similar situation with their property claims. California has about a \$1.5 billion deficit in their guaranty fund and they issued bonds, as well. Alaska's Guaranty Association could do that, but because they have no assets, it would be considered a junk issue.

REPRESENTATIVE NANCY DAHLSTROM asked Mr. Lisankie to define occupational disease.

MR. LISANKIE replied that the act says:

It's a disease that you are more likely to get because of some condition of your employment. It can be anything from an inhalation kind of injury to just you have to work outside in inclement conditions and you get frostbite, but it has to be related to circumstances of your employment. Basically, it has to be more likely to occur to you in the job format than if you were just at home...

SENATOR SEEKINS noted that because of the experience ratings for his business, he was able to have lowered workers' comp premiums this year and he is thankful for his employees and staff who helped him attain that.

CO-CHAIRS BUNDE and ANDERSON thanked everyone for their testimony and said they looked forward to working with them to resolve these issues. There being no further business to come before the committee, the meeting was adjourned at 5:10 p.m.

ANNOUNCEMENTS

No announcements

COMMITTEE ACTION

No action taken

ADJOURNMENT

5:10 p.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the Senate Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2870, and after adjournment of the second session of the 23 Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.