

**CS FOR SENATE BILL NO. 241(L&C)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 5/5/06

Referred: Finance

Sponsor(s): SENATOR COWDERY

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to associations of self-insured employers for purposes of providing**  
2 **workers' compensation coverage and allowing employers who are members of the same**  
3 **trade to form associations for providing self-insurance for workers' compensation**  
4 **coverage; and providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 \* **Section 1.** AS 21 is amended by adding a new chapter to read:

7 **Chapter 77. Associations of Self-insured Employers for Providing Workers'**  
8 **Compensation Coverage.**

9 **Sec. 21.77.010. Self-insurance certificates.** (a) The director may issue a self-  
10 insurance certificate to an association of employers if the association files an  
11 application for a certificate and demonstrates that

12 (1) the members of the association of employers have at least 100  
13 employees in the aggregate;

14 (2) the members of the association of employers have a tangible net

1 worth of at least \$5,000,000 in the aggregate;

2 (3) the association of employers has paid the annual service fee  
3 assessed under AS 23.05.067;

4 (4) each member of the association of employers has a workplace  
5 safety rate reduction program in effect under AS 21.89.015;

6 (5) the association of employers has obtained excess insurance  
7 coverage in amounts and with coverage required by the director; and

8 (6) the association of employers has filed with the director an  
9 indemnity agreement in a form approved by the director jointly and severally binding  
10 each member of the association of employers to secure the payment of all  
11 compensation due to the members' employees under AS 23.30.

12 (b) An application for a self-insurance certificate must include

13 (1) the name of the association of employers;

14 (2) the address of the principal office of the association of employers  
15 and the location where the books and records of the association will be maintained;

16 (3) the date the association of employers was organized;

17 (4) the name and address of each member of the association of  
18 employers;

19 (5) the names of the initial members of the board of directors of the  
20 association of employers and the name of the association's initial administrator;

21 (6) a copy of agreements entered into with the administrator of the  
22 association of employers and a third-party administrator;

23 (7) a copy of the bylaws of the association of employers;

24 (8) a pro forma financial statement prepared by an independent  
25 certified public accountant in accordance with generally accepted accounting  
26 principles that shows the financial ability of the association of employers to pay all  
27 compensation due to its members' employees and their beneficiaries under AS 23.30;

28 (9) a compiled, reviewed, or audited financial statement prepared by an  
29 independent certified public accountant for each member of the association of  
30 employers or internal financial statements with at least three years of tax returns or  
31 evidence of the ability of the association or its members to provide a solvency bond

1 under AS 21.77.020(c);

2 (10) proof that each member of the association of employers will make  
3 the initial payment to the association required under AS 21.77.160 on a date specified  
4 by the director.

5 (c) Financial information relating to a member of an association of employers  
6 received by the director under this section is confidential and is not a public record.

7 (d) For purposes of this section, "association of employers" means a group of  
8 five or more employers who are

9 (1) merchants, craftsmen, or businesses in a similar trade or industry;  
10 and

11 (2) members of an Alaska trade association for that trade or industry;  
12 the Alaska trade association shall be organized under the laws of this state to promote  
13 the common interests of the trade or industry and shall have been in existence for at  
14 least five years.

15 **Sec. 21.77.020. Excess insurance, reinsurance contracts, surety, and**  
16 **solvency bonds.** (a) Except as otherwise provided in this section, an association of  
17 self-insured employers shall

18 (1) maintain a policy of specific and aggregate excess insurance or a  
19 reinsurance contract in a form and amount required by the director; excess insurance  
20 or a reinsurance contract must be written by an insurer approved by the director;  
21 nothing in this paragraph prohibits an association from purchasing secondary excess  
22 insurance or reinsurance contracts in addition to the excess insurance or reinsurance  
23 contract required under this paragraph;

24 (2) collect an annual assessment from each member of the association  
25 in an amount necessary to maintain the solvency of the association;

26 (3) except as provided in (4) of this subsection, deposit as security with  
27 the director a bond executed by the association as principal and issued by a licensed  
28 surety, payable to the State of Alaska, and conditioned on the payment of  
29 compensation due to the members' employees under AS 23.30;

30 (4) in lieu of a bond, deposit with the director a like amount of lawful  
31 money of the United States or other form of security authorized by the director; if

1 security is provided in the form of a savings certificate, certificate of deposit, or  
2 investment certificate, the certificate must state that the amount is unavailable for  
3 withdrawal except on order of the director.

4 (b) In addition to complying with the requirements of (a) of this section, an  
5 association of self-insured employers shall maintain a combined tangible net worth of  
6 all members in the association of at least \$5,000,000 or deposit with the director a  
7 solvency bond, in a form prescribed by the director, in an aggregate amount of at least  
8 \$5,000,000.

9 (c) The administrator of the association of self-insured employers shall deposit  
10 with the director a bond, in an amount determined by the director, executed by the  
11 association's administrator as principal, issued by a licensed surety, payable to the  
12 State of Alaska, and conditioned on the faithful performance of the administrator's  
13 duties.

14 (d) A third-party administrator providing claims services for the association of  
15 self-insured employers shall deposit with the director a bond, in an amount determined  
16 by the director, executed by the third-party administrator as principal, issued by a  
17 licensed surety, payable to the State of Alaska, and conditioned on the faithful  
18 performance of the third-party administrator's duties.

19 (e) The director may increase or decrease the amount of a bond or money  
20 required to be deposited under this section in accordance with statutory and regulatory  
21 requirements for loss reserves in casualty insurance. If the director requires an  
22 association of self-insured employers, the association's administrator, or the third-  
23 party administrator to increase its deposit, the director may specify the form of the  
24 additional security. The association, association's administrator, or third-party  
25 administrator shall provide the additional security within 60 days after receiving notice  
26 from the director.

27 (f) The security deposited under this section does not relieve an association of  
28 self-insured employers from responsibility for the administration of claims and  
29 payment of compensation under AS 23.30.

30 **Sec. 21.77.030. Surety and solvency bonds.** A surety or bonding company  
31 may not furnish a bond or other form of security required under this chapter for an

1 association of self-insured employers or the association's members unless the surety or  
2 bonding company is authorized to do business in the state.

3 **Sec. 21.77.040. Issuance of certificate of self-insurance.** (a) On determining  
4 that an association is qualified as an association of self-insured employers, the director  
5 may issue a certificate of self-insurance to the association and the association's  
6 administrator.

7 (b) A certificate of self-insurance must include, without limitation, the name  
8 of the association of self-insured employers, the name of each employer who the  
9 director determines is a member of the association at the time the certificate is issued,  
10 an identification number assigned to the association by the director, and the date the  
11 certificate was issued.

12 (c) A certificate of self-insurance is valid until it is withdrawn by the director  
13 or voluntarily terminated by the association.

14 (d) The director may not issue a certificate of self-insurance to an association  
15 that has had its certification as an association of self-insured employers involuntarily  
16 withdrawn by the director within two years immediately preceding the association's  
17 application.

18 (e) The director may not grant a request to cancel a certificate of self-  
19 insurance unless the association has insured or reinsured all incurred obligations with  
20 an insurer authorized to do business in the state under an agreement filed with and  
21 approved by the director. The agreement must include coverage for actual claims,  
22 claims incurred but not reported, and expenses associated with those claims.

23 **Sec. 21.77.050. Effect of certificate.** (a) An association of self-insured  
24 employers directly assumes the responsibility for providing compensation due the  
25 employees of the members of the association and the employers' beneficiaries under  
26 AS 23.30.

27 (b) An association of self-insured employers is not required to pay premiums  
28 required of other employers under AS 23.30, but is relieved from other liability for  
29 personal injury to the same extent as other employers.

30 (c) An association of self-insured employers may act on behalf of or for the  
31 benefit of its members to provide for its members' workers' compensation obligations

1 under AS 23.30. An association of self-insured employers shall have the rights and  
2 obligations of an employer under AS 23.30.

3 (d) The claims of employees and their beneficiaries resulting from injuries  
4 while in the employment of a member of an association of self-insured employers  
5 must be handled in the manner provided under AS 23.30, and the association is subject  
6 to regulations adopted by the Alaska Workers' Compensation Board.

7 **Sec. 21.77.060. Board of directors; members; duties; prohibited acts.** (a)

8 An association of self-insured employers shall be operated by a board of directors  
9 consisting of at least five members elected by the members of the association for terms  
10 as set out in the bylaws of the association. At least two-thirds of the members of the  
11 board of directors shall be employees, officers, or directors of the members of the  
12 association. An association's administrator, third-party administrator, or an owner,  
13 officer, employee or other person affiliated with the association's administrator or  
14 third-party administrator may not serve as a member of the board of directors. A  
15 member of the board of directors must be a resident of this state or an officer of a  
16 corporation authorized to do business in this state.

17 (b) The board of directors of an association of self-insured employers shall

18 (1) ensure the prompt payment of compensation due under AS 23.30;

19 (2) take all actions necessary to protect the assets of the association;

20 (3) employ full time an administrator to carry out the policies of the  
21 board of directors and perform the duties the board delegates to the administrator; an  
22 association's administrator may not perform the duties assigned to a third-party  
23 administrator;

24 (4) employ a third-party administrator to administer the claims or other  
25 obligations of the association during the period of the contract;

26 (5) engage the services of an independent certified public accountant to  
27 prepare the statement of financial condition required under AS 21.77.150;

28 (6) maintain minutes of the meetings of the board and make the  
29 minutes available for inspection by the director; and

30 (7) provide claims facilities through independent, licensed, resident  
31 adjusters with power to effect settlement within the state.

1 (c) The board of directors of an association of self-insured employers may not  
2 (1) extend credit to any member of the association for the payment of  
3 that member's annual assessment, except under a payment plan approved by the  
4 director;

5 (2) borrow money from the association or in the name of the  
6 association, except in the ordinary course of its business, without prior approval from  
7 the director.

8 **Sec. 21.77.070. Fiscal responsibilities.** (a) The board of directors of an  
9 association of self-insured employers is responsible for the money collected and  
10 disbursed by the association.

11 (b) The board of directors shall establish

12 (1) a claims account in a financial institution in this state that is  
13 approved by the director and that is federally insured; except as provided in (c) of this  
14 section, at least 65 percent of the annual assessments collected by the association from  
15 its members must be deposited in the claims account to pay claims, expenses related to  
16 those claims, costs associated with the association's policy of excess insurance or  
17 reinsurance contract, and assessments, payments, and penalties related to the  
18 subsequent injury account and the uninsured employers' claim account;

19 (2) an administrative account in a financial institution in this state that  
20 is approved by the director and that is federally insured; the amount of annual  
21 assessments collected by the association not deposited in the claims account must be  
22 deposited in the administrative account to pay the administrative expenses of the  
23 association.

24 (c) The director may authorize an association of self-insured employers to  
25 deposit less than 65 percent of the associations annual assessments in a claims account  
26 if the association presents evidence satisfactory to the director that more than 35  
27 percent of the association's annual assessments are needed to maintain programs for  
28 loss control and occupational safety.

29 (d) The board of directors may invest the money of the association of self-  
30 insured employers not needed to pay the obligations of the association under  
31 AS 23.30.

1 (e) The director shall review the accounts of an association of self-insured  
2 employers established under this section at the times necessary to ensure compliance  
3 with the provisions of this section.

4 **Sec. 21.77.080. Prohibited relationships.** (a) An administrator of an  
5 association of self-insured employers or an employee, officer, or director of an  
6 association's administrator may not be an employee, officer, or director of a third-party  
7 administrator employed by the association or have a direct or indirect financial interest  
8 in the third-party administrator.

9 (b) A third-party administrator or an employee, officer, or director of a third-  
10 party administrator may not be an employee, officer, or director of the association's  
11 administrator or have a direct or indirect financial interest in the association's  
12 administrator.

13 **Sec. 21.77.090. Termination and cancellation of membership in**  
14 **association; coverage following termination or cancellation.** (a) A member of an  
15 association of self-insured employers may terminate its membership at any time by  
16 submitting to the association's administrator a notice of intent to withdraw from the  
17 association at least 120 days before the effective date of withdrawal. The notice of  
18 intent to withdraw must include a statement indicating that the member has

19 (1) been certified as a self-insured employer under AS 23.30.090;

20 (2) become a member of another association of self-insured employers;

21 or

22 (3) become insured for liability under AS 23.30 by a private carrier  
23 authorized to do business in this state.

24 (b) The board of directors of an association of self-insured employers may  
25 cancel the membership of a member of the association in accordance with the bylaws  
26 of the association.

27 (c) At the expense of the member whose membership is terminated or  
28 cancelled, the association of self-insured employers shall maintain coverage for that  
29 member for 30 days after the notice is given under (a) of this section unless the  
30 association first receives notice from the association's administrator that the member  
31 has

- 1 (1) been certified as a self-insured employer under AS 23.30.090;  
 2 (2) become a member of another association of self-insured employers;  
 3 or  
 4 (3) become insured for liability under AS 23.30 by a private carrier  
 5 authorized to do business in this state.

6 **Sec. 21.77.100. Notification of additional members, termination or**  
 7 **cancellation of membership, or change in information.** (a) An association of self-  
 8 insured employers shall notify the director in writing within 30 days after a member  
 9 withdraws from the association, a new member joins the association, or the board of  
 10 directors of the association cancels a membership. In the case of a new member, the  
 11 notice must include information that the new member is qualified under AS 21.77.010  
 12 and the financial information for the new member required under AS 21.77.010(b)(9).

13 (b) An association of self-insured employers shall notify the director of any  
 14 change in the information submitted in its application for a certificate of self-insurance  
 15 or in the manner of its compliance with AS 21.77.020 within 30 days after the change.

16 **Sec. 21.77.110. Liability for compensation obligations of members.** An  
 17 association of self-insured employers is liable for the payment of any compensation  
 18 required to be paid by a member of the association under AS 23.30 during the period  
 19 of membership. Insolvency or bankruptcy of a member does not relieve the association  
 20 of liability for the payment of compensation.

21 **Sec. 21.77.120. Examination of books, records, accounts, and assets;**  
 22 **payment of fees.** The director may examine the books, records, accounts, and assets  
 23 of an association of self-insured employers as necessary to carry out the provisions of  
 24 this chapter. The director may charge the association a reasonable fee for conducting  
 25 the examination.

26 **Sec. 21.77.130. Director as resident agent of association.** The director is  
 27 considered the resident agent to receive initial legal process authorized by law or court  
 28 rule to be served on the association of self-insured employers for as long as the  
 29 association is obligated to pay compensation under AS 23.30.

30 **Sec. 21.77.140. Merger of associations.** An association of self-insured  
 31 employers may merge with another association of self-insured employers if the

1 members of the merging associations are members of the same trade association, the  
2 resulting association assumes in full all obligations of the merging associations, and  
3 the merger is approved by the director. The director may hold a hearing on a proposed  
4 merger on the motion of the director or at the request of a member of the merging  
5 associations.

6 **Sec. 21.77.150. Statement of financial condition.** (a) An association of self-  
7 insured employers shall file with the director an audited statement of financial  
8 condition prepared by an independent certified public accountant. The statement must  
9 be filed within 120 days after the conclusion of the association's fiscal year and must  
10 contain information for the previous fiscal year.

11 (b) The statement required in (a) of this section must be prepared in  
12 accordance with generally accepted accounting principles and must include

13 (1) a statement of reserves for actual claims and expenses, claims  
14 incurred but not reported and expenses associated with those claims, assessments that  
15 are due but not paid, and unpaid debts; unpaid debts must be shown as liabilities;

16 (2) an actuarial opinion regarding reserves, prepared by a member of  
17 the American Academy of Actuaries or another specialist in loss reserves identified in  
18 the annual statement adopted by the National Association of Insurance  
19 Commissioners, including a statement of actual claims and the expenses associated  
20 with those claims and a statement of claims incurred but not reported, and the  
21 expenses associated with those claims.

22 (c) The director may require the filing of other reports necessary to carry out  
23 the provisions of this section, including

24 (1) audits of the payrolls of the members of an association of self-  
25 insured employers;

26 (2) reports of losses; and

27 (3) quarterly financial statements.

28 **Sec. 21.77.160. Calculation of annual assessments.** (a) Except as provided in  
29 (b) of this section, the annual assessment required to be paid by each member of an  
30 association of self-insured employers must be

31 (1) calculated by a rate service organization that is a member of the

1 American Academy of Actuaries or another specialist approved by the director; and

2 (2) based on the assessment rate for the industrial classification of that  
3 member, adjusted by the member's individual experience.

4 (b) The director may approve a reduction in the annual assessment based on  
5 the association's level of expenses and loss experience.

6 (c) If approved by the director, an association of self-insured employers may  
7 calculate the annual assessment required to be paid by each member of the association.  
8 An assessment calculated by the association must be based on at least three years of  
9 the member's individual experience.

10 **Sec. 21.77.170. Annual audits.** An association of self-insured employers shall  
11 cause to be conducted at least annually an audit of each member to verify the  
12 individual experience of each member of the association, the payroll of each member  
13 of the association, and the assessment required to be paid by each member of the  
14 association. The audit required under this section must be conducted by a payroll  
15 auditor approved by the director. An association shall pay the expenses of an audit  
16 required under this section.

17 **Sec. 21.77.180. Objections to industrial classification.** An association of  
18 self-insured employers or a member of the association may request a hearing before  
19 the director to object to an industrial classification assigned to a member of the  
20 association as a result of an audit conducted under AS 21.77.170. If the director  
21 determines that the assessment required to be paid by a member of the association is  
22 insufficient because of the industrial classification assigned to the employer, the  
23 director shall order the association to collect from that member any amount required to  
24 recover the deficiency. If the director determines that the assessment is excessive  
25 because of the industrial classification assigned to the employer, the director shall  
26 order the association to pay the member the excess amount collected.

27 **Sec. 21.77.190. Payment of dividends to members.** The board of directors of  
28 an association of self-insured employers may, with the approval of the director,  
29 declare and distribute dividends to the members of the association if the assets of the  
30 association exceed the amount necessary to pay its obligations and administrative  
31 expenses, carry reasonable reserves, and provide for contingencies. A dividend

1 declared under this section must be distributed not less than 12 months after the date  
2 of declaration. A dividend may be paid only to an employer who was a member for at  
3 least 12 months before to the date of declaration, and payment of a dividend may not  
4 be conditioned on a member's continuing membership in the association.

5 **Sec. 21.77.200. Plan for payment of annual assessment.** An association of  
6 self-insured employers shall adopt a plan for the payment of annual assessments by the  
7 members of the association. The plan must be approved by the director and must  
8 include a requirement for an initial payment, in advance, of a portion of the annual  
9 assessment due from each member of the association and for the balance of the annual  
10 installment to be paid in quarterly or monthly installments. The advance payment must  
11 be in an amount equal to at least 15 percent of the member's annual assessment.

12 **Sec. 21.77.210. Required reserves.** An association of self-insured employers  
13 shall maintain actuarially appropriate loss reserves. Loss reserves must include  
14 reserves for

- 15 (1) actual claims and the expenses associated with those claims;  
16 (2) claims incurred but not reported and the expenses associated with  
17 those claims; and  
18 (3) reserves for uncollected debts based on the experience of the  
19 association or other associations.

20 **Sec. 21.77.220. Regulation by division of insurance.** Self-insurance provided  
21 under a certificate issued to an association of self-insured employers may not be  
22 considered insurance for the purpose of any other law of the state and is subject only  
23 to regulations adopted by the director to implement this chapter.

24 **Sec. 21.77.230. Insufficient assets to pay compensation and maintain**  
25 **reserves.** (a) If the assets of an association of self-insured employers are insufficient  
26 to pay all compensation under AS 23.30 and to maintain the reserves required under  
27 AS 21.77.210, the association shall immediately notify the director and

- 28 (1) transfer surplus funds acquired from a previous year to the current  
29 year to make up the deficiency;  
30 (2) transfer money from the administrative account of the association  
31 to the claims account of the association;

1 (3) collect an additional assessment from the members of the  
2 association in an amount required to make up the deficiency; or

3 (4) take any other action, approved by the director, to make up the  
4 deficiency.

5 (b) If an association of self-insured employers wishes to transfer surplus funds  
6 from one year to another, the association shall first notify the director of the transfer.

7 (c) The director shall order the association of self-insured employers to make  
8 up any deficiency in accordance with (a) of this section if the association fails to do so  
9 within 30 days after notifying the director of the deficiency.

10 (d) An association of self-insured employers is considered to be insolvent if it  
11 fails to collect an additional assessment from its members within 30 days after being  
12 ordered to do so by the director or fails to make up the deficiency in any other manner  
13 within 60 days after being ordered to do so by the director.

14 **Sec. 21.77.240. Order to cease and desist; penalties.** (a) The director may  
15 issue an order requiring an association of self-insured employers or a member of an  
16 association to cease and desist from engaging in an act or practice found to be in  
17 violation of this chapter or a regulation adopted under AS 21.77.300.

18 (b) If the director determines that an association of self-insured employers or  
19 member of an association has violated an order to cease and desist, the director may  
20 impose an administrative fine of not more than \$10,000 for each violation of the order,  
21 not to exceed an aggregate amount of \$100,000, and may, in addition, withdraw the  
22 association's certificate of self-insurance.

23 **Sec. 21.77.250. Administrative fines.** The director may impose an  
24 administrative fine for each violation of a provision of this chapter or regulation  
25 adopted under AS 21.77.300. Except as provided in AS 21.77.240, the amount of the  
26 fine may not exceed \$1,000 for each violation or an aggregate amount of \$10,000.

27 **Sec. 21.77.260. Withdrawal of certificate; effect of withdrawal.** (a) The  
28 director may withdraw the certificate of an association of self-insured employers if

29 (1) the association's certificate was obtained by fraud;

30 (2) the application for the certificate contained a material  
31 misrepresentation;

- 1 (3) the association is found to be insolvent;
- 2 (4) the association fails to have five or more members;
- 3 (5) the association fails to pay the costs of an examination or a penalty,
- 4 fee, or assessment required under this chapter;
- 5 (6) the association fails to comply with a provision of this chapter or
- 6 regulation adopted under AS 21.77.300;
- 7 (7) the association fails to comply with an order of the director within
- 8 the time prescribed by law or in the director's order; or
- 9 (8) the association or its third-party administrator misappropriates,
- 10 converts, illegally withholds, or refuses to pay any money to which a person is entitled
- 11 and that was entrusted to the association in its fiduciary capacity.

12 (b) If the director withdraws a certificate of self-insurance, each employer who

13 is a member of the association of self-insured employers remains liable for the

14 employer's obligations incurred before and after the order of withdrawal.

15 (c) Before withdrawing a certificate under this section, the director shall give

16 written notice to the association of self-insured employers by certified mail that the

17 certificate of the association will be withdrawn 10 days after receipt of the notice

18 unless, within that time, the association corrects the conduct set out in the notice as the

19 reason for the withdrawal or submits a written request for a hearing to the director.

20 The director may grant additional time, not to exceed an additional 120 days, before

21 the withdrawal of the certificate if the grounds for withdrawal are based on (a)(4) of

22 this section and the association is financially sound and capable of fulfilling its

23 commitments.

24 (d) The director may not take action under this section unless the director has

25 provided the association of self-insured employers with an opportunity for an informal

26 meeting to discuss and seek correction of conduct that would be grounds for

27 withdrawal of the association's certificate of self-insurance.

28 **Sec. 21.77.270. Retention of security deposit in event of termination.** If the

29 certificate of an association of self-insured employers is terminated or withdrawn for

30 any reason, the security deposited under AS 21.77.020 must remain on deposit for at

31 least 36 months in an amount necessary to secure the outstanding and contingent

1 liability for compensation payable under AS 23.30. At the expiration of the 36-month  
 2 period, or another period the director may prescribe, the director may accept a paid-up  
 3 policy of insurance in a form approved by the director in lieu of the previously  
 4 deposited security.

5 **Sec. 21.77.280. Insolvency; termination of liability on surety bond; effect**  
 6 **of termination of surety bond; no state liability.** (a) For purposes of this chapter, an  
 7 association of self-insured employers is insolvent if it is unable to pay its outstanding  
 8 obligations as they mature in the regular course of business.

9 (b) If an association of self-insured employers becomes insolvent, institutes  
 10 any voluntary proceeding under the bankruptcy laws of the United States or is named  
 11 in any involuntary proceeding under those laws, makes a general or special assignment  
 12 for the benefit of creditors, or fails to pay compensation due under AS 23.30, after an  
 13 order for the payment of a claim becomes final, the director may, after giving at least  
 14 10 days' notice to the association and its insurer or guarantor, use money or interest on  
 15 securities, sell securities, or institute legal proceedings on a surety bond deposited with  
 16 the director to the extent necessary to make the payment.

17 (c) A surety providing a surety bond under AS 21.77.020 may terminate  
 18 liability on its surety bond by giving the director and the association of self-insured  
 19 employers, the association's administrator, or the third-party administrator 90 days'  
 20 written notice. Termination does not limit liability that was incurred under the surety  
 21 bond before the termination. If the association fails to requalify as an association of  
 22 self-insured employers on or before the termination date, the director shall withdraw  
 23 the association's certificate of self-insurance, effective on the date the termination  
 24 becomes effective.

25 (d) The state is not liable for, and does not guarantee or insure, the obligations  
 26 of an association of employers or its members, or an association of self-insured  
 27 employers or its members, under this chapter.

28 **Sec. 21.77.290. Judicial review.** A party aggrieved by a decision of the  
 29 director under this chapter may seek judicial review in accordance with applicable  
 30 court rules.

31 **Sec. 21.77.300. Regulations.** The director may adopt regulations to implement

1 the provisions of this chapter.

2 **Sec. 21.77.399. Definitions.** In this chapter,

3 (1) "association of self-insured employers" means an association of  
4 employers that has been granted a certificate of self-insurance under AS 21.77.010;

5 (2) "third-party administrator" means a person under contract with an  
6 association of self-insured employers to administer, from one or more offices in this  
7 state, all claims for the association arising under AS 23.30 and maintain records  
8 concerning those claims.

9 \* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).