

HOUSE FINANCE COMMITTEE
April 24, 2019
1:30 p.m.

1:30:12 PM

CALL TO ORDER

Co-Chair Wilson called the House Finance Committee meeting to order at 1:30 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Tammie Wilson, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Elise Sorum-Birk, Staff, Representative Andy Josephson; Scott Jordan, Director, Division of Risk Management, Department of Administration; Grey Mitchell, Director, Division of Workers' Compensation, Department of Labor and Workforce Development; Senator Gary Stevens, Bill Sponsor; Tim Lamkin, aide, Senator Stevens; Velma Thomas, Program Coordinator, Fishermen's Fund, Department of Labor and Workforce Development.

PRESENT VIA TELECONFERENCE

Marianne Burke, Mother of Abigail Caudle; Kevin Dougherty, Attorney, Alaska District Council of Laborers; Charles McKee, Self, Anchorage; Laura Bonner, Self, Anchorage; Mark Butler, Self, Anchorage; Bob Kehoe, Executive Director,

Purse Seine Vessel Owners Association (PSVOA); Clay Bezenek, Member, Fishermen's Fund Advisory and Appeals Council.

SUMMARY

HB 30 WORKERS' COMP: DEATH; PERM PARTIAL IMPAIR

HB 30 was HEARD and HELD in committee for further consideration.

SB 61 COMM FISHERMEN'S FUND:VESSEL OWNER CLAIMS

SB 61 was HEARD and HELD in committee for further consideration.

Co-Chair Wilson reviewed the agenda for the meeting.

#hb30

HOUSE BILL NO. 30

"An Act relating to the exclusiveness of liability of an employer in the case of death; relating to the payment of workers' compensation benefits in the case of permanent partial impairment; relating to notice of workers' compensation death benefits; relating to the payment of workers' compensation death benefits payable to a child of an employee where there is no surviving spouse; relating to the payment of workers' compensation death benefits for an employee without a surviving spouse or child; and providing for an effective date."

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REPRESENTATIVE ANDY JOSEPHSON, BILL SPONSOR, introduced himself. He relayed that 90 percent of the contents of the bill had been circulating through the building since 2014. The bill made it through the House in the previous year, reached the Senate Finance Committee, and died there.

Representative Josephson turned to slide 2 of his PowerPoint Presentation: "HB 30 - The Abigail Caudle Act" (copy on file). He explained that the bill was named after Abigail Caudle who died in an electrical accident in 2011. He attended an event at the location where she passed away.

There were members of the public and the media there. Her mother, Marianne Burke, spoke as well.

Representative Josephson continued to slide 3: "Reviewing Workers' Compensation Statutes." He reported that the bill did three principle things. First, it updated permanent partial impairment (PPI). Currently, there was a PPI of \$177,000 for the entire body. When a person survived an accident a doctor could declare they had a percentage of disability. The bill updated the amount to about \$254,000 to \$255,000. Second, the bill updated a benefit that the legislature created in 1968 originally in the amount of \$20,000. The amount would be increased to \$150,000 for a death benefit for non-nuclear family dependents. He provided an example of a 25-year-old slope worker who died and had a disabled parent that lived with that person.

Representative Josephson continued that the bill would also create a new benefit that applied to persons that were single and childless. Under current law if a person was single, childless, and died at work, their estate would receive no benefit. Essentially, a person could not sue in personal injury or tort if they were injured on the job. A person's remedy existed only in the Title 23 silo. The theory of the law was that for a person that was single and childless there was no dependent to pay. The only thing the law did was pay for funeral expenses. It left other family members with no way to express their grief through the law. He noted a case brought to the Alaska Supreme Court. The bill would create a \$120,000 benefit to parents of a deceased individual. If the person's parents were no longer alive, the estate would receive \$120,000. The funds could be used to help pay for any existing debt of the deceased. He commented that on the fiscal note, because very few people died at work (a handful per year in Alaska of which only one single childless person died), the expense associated with the bill did not really have to do with the new benefit. The expense was connected to the updated PPI.

Representative Josephson noted there was a snafu in the prior committee where they adopted a committee substitute (Version U) which updated the 1968 from \$20,000 to \$150,000. He continued that when the bill moved out of committee, they selected a different version (Version S) that neglected to reflect their previous work. There was a technical error that could not be addressed until it reached the House Finance Committee. He thanked members.

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ELISE SORUM-BIRK, STAFF, REPRESENTATIVE ANDY JOSEPHSON, continued to explain slide 4. The bill also allowed a dependent child left without a parent to continue to receive benefits for five years after they reached the definition of "adulthood" under the workers' compensation Act.

Ms. Sorum-Birk explained that the bill dealt with the single worker with no dependents who died on the job. There was no remedy under current law. The parents could not collect workers' compensation, and they could not file suit. The original version of the bill provided the ability for the family to file suit but was removed from the Labor and Commerce committee substitute. House Bill 30 amended AS 23.30.055 to allow the parent or questioned state of the deceased to receive compensation through workers' compensation. It also added a new subsection under AS 23.30.215 (a) to provide the death benefit Representative Josephson spoke to previously. She reiterated that the death benefit was \$120,000 payable to the parents or estate of the deceased. If there were two parents that were separated, the amount would be divided equally. Each parent would receive \$60,000. If there were no parents, the entire amount would be awarded to the estate of the deceased. She highlighted that the benefit would be slightly different from other death benefits currently under workers' compensation in that it would be paid out in a lump sum rather than being paid over time.

Ms. Sorum-Birk continued to slide 5 and slide 6 to discuss the PPI. The rates had not been adjusted since 2000. In 1988 the amounts were updated to \$135,000. In 2000 they were updated to \$177,000. House Bill 30 adjusted the amount to \$255,854 to account for inflation. She pointed to a handout in members' packets about PPI by state. Alaska was very close to the bottom of the list for all of the listed benefits. If the state were to adjust the amount to \$255,854, Alaska would move to the national average.

Ms. Sorum-Birk moved to the next item that dealt with the death benefit paid to a non-child dependent which had not changed in 53 years. Under AS.23.30.215(a)(4) the death benefit could be paid to a dependent father, mother,

grandchild, brother, or sister. The amount needed to be brought up to date.

Ms. Sorum-Birk moved to slide 7: "Once dependent children become legal adults all benefits cease." She explained that HB 30 created a new subsection to extend the payment for dependent children 5 years. She noted that dependent children became legal adults, after the age of 19.

Ms. Sorum-Birk turned to slide 8 which showed the definition of a child. She read the definition in the Workers Compensation Act directly from the slide:

Definition of "child"

From AS 23.30.395 (8) includes

- "persons who are under 19"
- "persons who, though 19 years of age or over, are wholly dependent upon the deceased employees and incapable of self- support by reason of mental or physical disability"
- "persons of any age while they are attending the first four years of vocational school, trade school, or college"
- "persons of any age while attending high school"

Ms. Sorum-Birk provided additional information on the third bullet point regarding a person attending the first 4 years of vocational school, trade school, or college. as the bill was currently written, if she were to start collage at the age of 19, pursue a 4-year degree, and graduate in 4 years at age 22, she could continue to receive benefits until age 27. The bill could be amended if the committee was not comfortable with the provision.

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Representative Josephson noted that essentially the way the item ended up in the bill and stayed in the bill all the way until reaching the Senate Finance Committee was by considering circumstances that might leave a child without either parent and with a very limited benefit. It turned out that the definition of a child was under the age of 19. Under current law children were paid a maintenance amount for 4 years as long as they were enrolled in school. The bill would add an additional 5 years to the 4 years bringing someone into their late twenties as long as they were a student in their early twenties. The committee might

want to scale the amount back to a total of 5 years. He reminded members that they were not dealing with a large number of people.

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Representative Josephson spoke to slide 9. The example he used was an elevator accident where a customer and an employee rode to their deaths when a cable broke. The estate of the customer riding in the elevator could recover money for damages under Title 9. The estate could sue for a number of things which he read from the slide. However, the estate of the single, childless worker would only receive funeral expenses. He highlighted the incredible disparity. He noted that 12 other states did what his bill would do. The figure of \$120,000 was chosen based on the figure used by the state of Louisiana.

Representative LeBon asked about Representative Josephson's early reference regarding the case of an employee without children or a spouse dying in a work related accident. He asked if the bill prescribed the benefit going upstream to the parents. Representative Josephson responded affirmatively.

Representative LeBon suggested that Johnny take out an insurance policy with his parents as beneficiaries. As he understood insurance, the parents could take out a policy on Johnny if they felt they needed the benefit. He asked if what he was saying was true. Representative Josephson though Representative LeBon's statement was true. He was unclear about the last part.

Representative LeBon guessed that the parents would have a vested stake in protecting the life of their child and they could insure it. Representative Josephson had never heard of someone taking insurance out on their children. An injury could be based on gross negligence on the part of the employer. However, there were not currently consequences for the employer. There was a theory that the employer would not improve their safety record without some sort of incentive. There was also the argument that the employee would have to pay out of pocket for the insurance premium.

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Representative LeBon returned to Representative Josephson's example of the elevator incident. He wondered if it possible for a company to take out a life insurance policy on its employees as part of their benefits package. Representative Josephson responded that the legislature had some sort of death disability payment in place. He supposed it was possible. Ms. Sorum-Birk also noted that life-insurance was voluntary, unlike employers being required to have Worker's Compensation benefits.

Representative LeBon mentioned spending time in the banking industry. His employer had always insured his life. It was an employee benefit and a standard practice for the bank. He thought if an employer cared enough about their employees, they would have life insurance as part of the benefits package available. Representative Josephson responded that he was unsure that it was available. Some of the jobs were hazardous. In other words, they came with more risk.

Co-Chair Wilson concluded that in a riskier profession a person might want to make sure they had an insurance policy.

Representative Josephson responded that it would make sense. However, he reminded members that the cost in the bill was related to the PPI. If there was a horrible accident in which a worker in Alaska lost their leg at the hip, it would be equal to 40 percent impairment. Under the state's workers' compensation law, Alaska would pay \$71,000 for the loss of a leg. He was certain that a person would not voluntarily give up their leg for \$71,000. Pennsylvania, for the same lost leg, would pay \$389,000. He explained that although there was a new benefit used infrequently, the \$120,000 risk was being spread all over the state. He reiterated that most of the benefit was in the PPI update.

Representative Knopp noted that Representative Josephson would advise a young woman, 18.5 years of age whose father had died, to enroll in school. He supposed that there was no prior obligation to have been enrolled in school at the time of her father's death. He asked if he was accurate. Ms. Sorum-Birk thought his interpretation was correct.

Representative Knopp thought the bill would limit someone receiving benefits for 5 years. Representative Josephson

corrected himself that it was a period of 4 years. He suggested that as long as they were under the age of 19, even if they were not enrolled in a school program, they would get a spendable weekly allowance. However, if they were not enrolled in school, he would advise them to do so prior to their 19th birthday so that benefits would continue for the 4 years.

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Co-Chair Wilson OPENED Public Testimony.

MARIANNE BURKE, MOTHER OF ABIGAIL CAUDLE (via teleconference), indicated that it was her daughter that was killed in 2011 by gross negligence. She was given nothing for her daughter's life with the exception of \$10,000 for funeral expenses. Her daughter, a new apprentice, was working without supervision on a live wire with a cheaper "non-contact" tester and was electrocuted. After the accident, the funeral, and many emotions, she tried to seek a legal remedy. However, no lawyer would represent her because they relayed that Abigail's death was a workers compensation death. She explained that because the accident occurred in the work place she had to go through workers' compensation layers who stated that there was no remedy. There was nothing given for a single person killed in the workplace because her daughter did not have any dependents. The purpose of the bill was to remedy a single person killed in the workplace as well as increasing the PPI of those employees that were injured. It also allowed the right for a person to go through a civil suit. She was unable to pursue a civil suit.

Ms. Burke continued that she filed a workers' compensation claim working up through the Alaska Supreme Court. The U.S. Supreme Court currently had her case and a docket number. She reported that, early on when she filed the workers' compensation case, the Workers' Compensation Board was trying to dismiss her case. The board claimed that she did not have dependents and requested to see her taxes. She found out that the board wanted her taxes in order to prove that Abigail did not have any dependents. Ms. Burke did not provide copies of her taxes, as she appealed the request. Carol Sloan who worked for workers' compensation reported that she was the first to get through, otherwise the case would have been dismissed.

Ms. Burke elaborated that the employer's side was trying to get her case dismissed because she filed within 2 years of her daughter's death rather than 1 year. The court ruled in her favor. The employer was also trying to hold her liable for attorney's fees. The Alaska Supreme Court again ruled in Ms. Burkes' favor, and she did not have to pay attorney's fees.

Ms. Burke reiterated her disgust in the justice system. There was no liability on the part of the grossly negligent employer. Nothing happened to Raven Electric. Their insurer, Liberty Mutual, paid the funeral costs and the Occupational Safety and Health Administration (OSHA) fines of about \$11,000. She claimed that OSHA was not a good check and balance for negligent employers. Nothing happened to the employer. She believed some sort of payout was necessary to keep the employers accountable. Ms. Burke emphasized that there was nothing given for a human life who was single with no dependents. She urged members to make some applicable changes. She stressed to the legislature that it needed to address the situation by taking action on the bill. She noted there was a statute on the books - employer's liability for negligence - AS.23.25.010. The statute outlined that the employer was liable for inadequate machinery and for the employer's mistakes. She mentioned being on a number of rabbit trails. Employers were supposed to be liable. There were no repercussions for employers to practice appropriate safety measures.

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KEVIN DOUGHERTY, ATTORNEY, ALASKA DISTRICT COUNCIL OF LABORERS (via teleconference), relayed that HB 30 was vital to families of Alaskans whose family members died on the job or were injured significantly. He had the opportunity to work with Ms. Burke. He met people over the years and throughout Alaska whose family members were killed on the job and were told they would not be provided any compensation for the loss of life. He wanted to walk through the practical impact of not getting the bill passed.

Mr. Dougherty explained that currently, about 20 Alaskans had lost their lives in the workplace. He reported that, fortunately, the number was declining. Most of the people who were killed in the workplace had family or spouses, and

the current law worked for them. However, the young single person remained uncovered. Alaska's Worker's Compensation law had a loophole for employers. There were no consequences for employers who were grossly negligent. He pointed out that life insurance was voluntary, whereas, Worker's Compensation was not. He suggested that it was the employer's responsibility to have proper Worker's Compensation Insurance. The Workers' Compensation Appeals Commission pointed out they would have liked to have done something for Abigail Caudle's family but indicated the issue had to be addressed by the legislature. It was the legislature's responsibility to correct the problem.

Mr. Dougherty spoke about a decrease in voluntary loss costs and the assigned risk pool. As a matter of public policy he hoped the legislature would pass the bill out of respect for human life.

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CHARLES MCKEE, SELF, ANCHORAGE (via teleconference), spoke about his own Worker's Compensation Claim. [His testimony was unrelated to the bill].

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LAURA BONNER, SELF, ANCHORAGE (via teleconference), spoke in support of HB 30 and the increase to the PPI. She reminded members that Alaska's rates had not been adjusted for almost 20 years. She also supported the changes regarding unmarried workers with no known dependents who lost their lives on the job. She talked about her own Worker's Compensation claim and the effects on her family. She thought it was right to value a life lost in the workplace. She reiterated her support for the bill.

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MARK BUTLER, SELF, ANCHORAGE (via teleconference), spoke in support of HB 30. He knew Abigail Caudle. He thought the changes outlined in the bill encouraged young people to work through the ranks. He urged support of the bill.

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Co-Chair Wilson CLOSED Public Testimony.

Co-Chair Wilson indicated there were 2 fiscal notes associated with the bill. Fiscal note 1 had an OMB component number 71. She invited Mr. Jordon to review fiscal note 1 and Mr. Mitchell to review fiscal note 2.

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SCOTT JORDAN, DIRECTOR, DIVISION OF RISK MANAGEMENT, DEPARTMENT OF ADMINISTRATION, reported that the total on the fiscal note was strictly for the PPI increase. It was about a 44 percent increase. The division had done a 10-year look back at the average the state paid out every year. The 10-year average was approximately \$979,000 and 44 percent equaled about \$434,000. The additional amount was \$26,059 for the payment of benefits to the second injury fund with the workers' compensation division. The total amount per year was estimated at about \$460,400. In the first year, because of the effective date of the bill on January 1, 2020, the amount reflected only 6 months.

Representative Sullivan-Leonard asked about the 44 percent increase. She wondered if the employer would feel an increase in premiums. Mr. Jordan responded that the state was self-insured, and the premiums would get transferred to the agencies but not dollar-for-dollar.

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Representative LeBon asked if employers would feel a financial impact. Mr. Jordan responded in the affirmative.

Representative LeBon asked if the administration had looked at the impact to the private sector employer. Mr. Jordan thought the reference to not having much financial impact had to do with the payout to dependents. He explained that there were not many workers' compensation death cases where there were no dependents. In the last 45 years the state had only one case in which a worker died and had no dependents.

Representative LeBon suggested, since the risk of payout was extremely small, there would not be a material change in the premiums paid by the employers to have the added coverage. Mr. Jordan responded that he could not make such a calculation for the fiscal note. He furthered that the fiscal note by the Department of Administration was limited

to the increase in the PPI payout. He noted that the change would be reflected in the premiums back to agencies.

Co-Chair Wilson suggested that the fiscal note reflected a change in interagency receipts. The interagency receipts were general fund dollars received from other agencies. She asked if she was accurate. Mr. Jordan responded affirmatively.

Co-Chair Wilson clarified that employees from the Department of Transportation and Public Facilities (DOT) would be paying a certain amount per person to cover the costs of the bill. The money would be given to Risk Management as their portion if the bill were to be passed. Mr. Jordan responded, "Madam Chair, that is correct." He did not have the calculation. Co-Chair Wilson asked for a dollar amount increase per employee. Mr. Jordan would get the information to the committee.

Co-Chair Wilson asked for the number of active state employees. Mr. Jordan did not know the figure but would find out and provide it to the committee. Co-Chair Wilson thought the information would help. She also asked about the calculation and what it was based on. Mr. Jordan indicated the calculation was based on payroll. He noted the calculation was based on full time employees (FTEs). He clarified that 3 part-time positions were equal to 1 full-time position.

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Representative Carpenter asked if the fiscal note applied to both public sector and private sector employees. Mr. Jordan responded that the fiscal note only applied to the State of Alaska.

Representative Carpenter asked about a fiscal impact to the private sector. Co-Chair Wilson commented that the legislature did not make fiscal notes for anyone but the state. Representative Carpenter thought some employers would have a problem.

Co-Chair Wilson informed members that the bill would not be moving in the current hearing.

Representative LeBon reported having checked with a private sector employer about the bill. The employer was concerned

about the material increase in workers' compensation premiums for the private sector.

Co-Chair Wilson asked for a review of fiscal note 2 with an OMB component number of 344 dated April 23, 2019.

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AT EASE

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RECONVENED

GREY MITCHELL, DIRECTOR, DIVISION OF WORKERS' COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, directed members' attention to the fiscal note. He pointed out that the department anticipated zero costs associated with the legislation. However, the department anticipated additional revenue. He reported the revenue for FY 20 was estimated at \$246,000 which increased from FY 21 and on to \$492,000 in revenue. He spoke to the reason for the increase. He explained that the Division of Workers' Compensation collected funds based on the amount of workers' compensation premiums that were paid by private employers.

Mr. Mitchell explained that the Division of Workers' Compensation was funded through a portion of the premium tax that was collected by the Division of Insurance where the workers compensation division received 2.5 percent of the overall premiums paid in the private sector for workers' compensation. In addition, the division collected a 2.9 percent fee for all self-insured employers like the State of Alaska. He continued that the National Council of Compensation of Insurers was the rating agency that provided workers' compensation information for Alaska and monitored compliance with workers' compensation rules for insurers in Alaska. The division asked them for an impact assessment of HB 30 including the increase to the PPI and death benefits. They estimated that the total market impact could be between \$9 million and \$10 million per year for both private sector and public sector self-insured employers. The increase equated to about 3.5 percent in overall workers' compensation costs.

Mr. Mitchell reported that the fiscal note was based on a breakdown of 2 amounts. There was an increase of \$6 million in the private sector market at 2.5 percent and an increase

of \$3 million in the self-insured market at 2.9 percent. The total that the division arrived at was \$237,000.

Mr. Mitchell pointed to another line in the fiscal note labeled "Second Injury" which related to the second injury fund. He explained that the Division of Workers' Compensation collected a fee from insurers and self-insured employers - the smaller amount referenced by the Department of Administration in its fiscal note. The second injury fund contribution was 5 percent of the indemnity benefits that were paid out by an insurer for workers' compensation or by a self-insured employer for workers' compensation purposes. Mr. Mitchell relayed that to arrive at the fiscal note amount, the division calculated that \$5.1 million would be paid out in additional PPI benefits based on the proposed legislation. At 5 percent of the amount, the division calculated \$255,000 in additional second injury fund contributions that would be due from self-insured employers and insurers for workers' compensation costs.

Mr. Mitchell mentioned that there was one other provision in the bill that required the division to develop a form that would be used by an employer following a workplace fatality to notify the next of kin or the estate of the statute of limitations for obtaining a workers' compensation benefit claim and providing a list of legal counselors and grief counselors. The division expected there would be an associated regulation which would provide a definition for grief counselor. He thought that it would get rolled into an existing regulation package and did not anticipate a cost.

Mr. Mitchell reported that the division had a couple of concerns with the bill. The first concern had to do with the cost to the market. The division had experienced some significant reductions for FY 19. He reported a 14.8 percent reduction in the voluntary market, the market that most employers got their insurance from. Many small employers could not obtain their insurance through the traditional market and had to go to the assigned risk pool, a group that saw an even larger reduction of 17.5 percent in 2019. He suggested that it was the first year the division had seen double-digit reductions in workers' compensation costs. The costs had been going down slowly over the last few years. The division recommended caution related to the reduction. In the 2018 study put out by the State of Oregon, Alaska was still the 4th highest in the

nation for workers' compensation costs. In 2016, Alaska ranked 5th in the nation. Alaska had moved in the wrong direction even though the state had been reducing costs. The state needed to be careful about increasing costs. One of the statutory missions under AS 23.30.001 was to make sure the costs remained affordable for employers.

Mr. Mitchell reported another concern having to do with the 5-year extension for a child. The definition of a child under the workers' compensation law included children up to the age of 19. Children would be covered through their 18th year through the spendable weekly wage benefits that were a percentage of the earnings of their deceased parent. It also covered a separate benefit for the first 4 years of college or trade school. He argued that the periods did not have to be successive. A person could receive the weekly benefits up until they reached the age of 19, take a few years off, then go to school. They could reapply and be instated while in their first 4 years of college regardless of their age. He thought there was a potential problem which was not clarified in the bill which might result in litigation. There could be 5-year periods added on to both of the periods: 5 years beyond the initial period when they reached the age of 19 and another 5 years past the first 4-year period of college or trade school. He thought the division's concern deserved some clarification. The sponsor had mentioned changing the benefit to a 5-year extension rather than covering something special in the first 4 years of schooling. He was available for questions.

Co-Chair Wilson indicated the bill would be set aside. Amendments were due Friday, April 29, 2019 by 5:00pm.

HB 30 was HEARD and HELD in committee for further consideration.

#sb61

SENATE BILL NO. 61

"An Act relating to claims against protection and indemnity insurance policies of vessel owners."

[2:39:27 PM](#)

SENATOR GARY STEVENS, BILL SPONSOR, thanked the committee for hearing the bill and gave credit to Vice-Chair Ortiz who had helped significantly with the legislation. He

reported that the bill affected commercial fishermen and people who worked on fishing vessels. He relayed that the Commercial Fisherman's Fund served as a fall back for insurance for commercial fishermen who were hurt on the job. The fund had existed since statehood and was self-funded. Fishermen paid into the fund with a portion of their licensing fees. The bill also addressed protection and indemnity (P and I) insurance, liability insurance. He expounded that it was a policy held by the vessel owner and covered their assets and crew.

Senator Stevens continued that the incentive of the bill was to take the pressure off the Commercial Fisherman's Fund. More claims would be filed against the owner's P and I insurance and less on the fund. It was capped at \$5,000. He believed the legislation was a win for all stake holders. He deferred to his staff to answer any questions.

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Co-Chair Wilson OPENED Public Testimony.

TIM LAMKIN, AIDE, SENATOR STEVENS, indicated Ms. Leach had another hearing to attend and could not make it to the meeting. He reported that she submitted written testimony on the bill on behalf of United Fishermen of Alaska. Co-Chair Wilson commented that people could listen to the previous hearing to listen to her testimony in favor of the bill.

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BOB KEHOE, EXECUTIVE DIRECTOR, PURSE SEINE VESSEL OWNERS ASSOCIATION (PSVOA) (via teleconference), testified in strong support for SB 61. The Purse Seine Vessel Owners Association was a commercial fishing trade association representing the small boat fleet operating throughout Alaska and the West Coast. Among other things PSVOA managed three fisherman-owned marine insurance pools which included approximately 900 member vessels. All profits generated by the marine insurance pools were distributed back to membership which helped to keep down the cost of hull and liability insurance for the small boats and business owners.

Mr. Kehoe explained that SB 61 expanded upon the legislature's efforts in 2010 to provide a financial

incentive to vessel owners to obtain insurance to fully cover their crew members in case of an injury. Maritime seamen were not covered by state workers' compensation laws. Vessel owners were not required by law to carry insurance for their crew members. It was different for shoreside employers who were required by law to insure their employees under the state workers' compensation system.

Mr. Kehoe relayed that the cost of vessel insurance was relatively high compared to the rates paid by shoreside employers. For example, a purse seine operation typically had 4 crew members and the cost of insuring the crew could be as high as \$400 per man per month. As small independent business owners, the cost of liability insurance was a major fixed cost. The bill would ease the financial burden on vessel owners in paying the cost of insurance. For instance, when a claim was submitted, they would be able to recover up to \$5,000 of their deductible. He believed the bill would promote the goal of insuring all of the medical needs of an injured crew member were satisfied. On behalf of PSVOA he respectfully asked the committee to support the bill by moving it forward. He was available for questions.

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CLAY BEZENEK, MEMBER, FISHERMEN'S FUND ADVISORY AND APPEALS COUNCIL (via teleconference), mentioned that he wore many hats. He spoke of passing legislation in 2007 or 2009 to raise limits of \$10,000 for insurance claims to modernize the fund. There were several stop-gaps incorporated to protect the fund. He realized that the large boat operators and some of the small boat operators were being penalized for having insurance coverage because they had to pay the full deductible for their P and I coverage. Whereas, if a person did not carry insurance, the State of Alaska automatically paid the first \$10,000 from the Commercial Fisherman's Fund. He supported the actions of all involved. He thanked Representative Ortiz and Senator Stevens and their staff. He reiterated his support for SB 61.

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Co-Chair Wilson CLOSED Public Testimony.

[2:47:34 PM](#)

AT EASE

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RECONVENED

Co-Chair Wilson indicated the fiscal note that would be reviewed was dated March 6, 2019 and had the OMB component number 343. She directed Mr. Mitchell to review the fiscal note.

GREY MITCHELL, DIRECTOR, DIVISION OF WORKERS' COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, reported that the fiscal note had a small impact in the amount of \$16,100 per year. The amount was based on the history from FY 14 through FY 17 of 7 claims per year from the vessel owners who had P and I policies who were requesting reimbursement of their deductible cost. He reported that the average deductible cost for the historical period was \$4,600. He explained that by taking half of the \$4,600 and multiplying the number by 7 equaled the \$16,100 amount. There was sufficient revenue in the fund to cover the costs. There was a fund balance of between \$11 million and \$12 million. Even if there was a spike in claims, the department expected there would be sufficient revenues to pay the costs.

Representative LeBon asked if the public was in support of the bill. Mr. Mitchell had only heard support for the bill.

Co-Chair Wilson asked if the department supported the bill. Mr. Mitchell reported that the administration was neutral on the bill.

Co-Chair Wilson asked why the administration was only neutral. Mr. Mitchell replied that there were some good things about the bill. The bill encouraged vessel owners to purchase P and I insurance which provided a better insurance coverage for crew members. He conveyed that the P and I policies could exceed far more than the \$10,000 in the benefits they provided per incident. The state and its Commercial Fisherman's Fund program limited benefits to \$10,000 per incident and were also limited to just medical costs. Some P and I policies also provided for lost wages in addition to medical costs. It was more of a workers' compensation program than the Commercial Fisherman's Fund program.

Co-Chair Wilson explained the acronym, P and I.

Representative Carpenter asked about the total fund revenues. He wondered if the revenues came from earnings. Mr. Mitchell responded in the negative. He clarified that the revenues came from a fee from all of the people who purchased fishing licenses and all of the permit fees collected by the Commercial Fishing Entry Commission. He conveyed that 39 percent of the value of the fees went into the Commercial Fishermen's Fund to pay the benefits.

Representative Carpenter asked about the investment of the \$11 million fund. He asked if the fund was gaining interest. Mr. Mitchell answered that there was some investment. He deferred to Ms. Thomas.

[2:55:16 PM](#)

VELMA THOMAS, PROGRAM COORDINATOR, FISHERMEN'S FUND, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded that it was part of the General Fund and Other Non-Segregated Investments Fund. There were earnings that collected interest and were distributed based on a formula. There were earnings as well as losses depending on the market.

Co-Chair Wilson asked if the \$11 million could be used for anything else. Mr. Mitchell responded that the fund was established before statehood and the constitution. It was grandfathered in as a dedicated fund and had not been used for anything other than paying benefits to fishing claims.

Co-Chair Wilson relayed that amendments were due Thursday, April 25, 2019 by 5:00 p.m. She reviewed the agenda for the following meeting.

SB 61 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[2:56:58 PM](#)

The meeting was adjourned at 2:57 p.m.