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1 IN THE SENATE

2 SENATE BILL NO. 199

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SECOND LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a nonprofit, exclusive
7 State Compensation Insurance Fund; and pro-
8 viding for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 Section 1. STATE COMPENSATION INSURANCE FUND. (a) There
11 is created a nonprofit, exclusive State Compensation Insurance
12 Fund to be administered by the State Compensation Insurance Fund
13 director. The purpose of the fund is to insure employers against
14 liability for injuries sustained by their employees and to assure
15 to employees and other persons the compensation and benefits
16 provided under the Alaska Workmen's Compensation Act. It is the
17 intent of the legislature that the fund be self-supporting. In
18 this Act, "fund" means the State Compensation Insurance Fund, and
19 "director" means the State Compensation Insurance Fund director.

20 (b) The fund shall insure compensable injuries required or
21 authorized to be insured under the Alaska Workmen's Compensation
22 Act, to the exclusion of any other insurer. Employers who are
23 subject to the Alaska Workmen's Compensation Act, and who do not
24 elect to be self-insurers under Sec. 36, Ch. 193, SLA 1959, shall
25 purchase compensation insurance from the fund by January 1,
26 1963.

27 (c) The fund may insure employers against their liability
28 for compensation or damages under the United States Longshoremen's
29 and Harbor Workers' Compensation Act, or any extension of that

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1 Act, as fully as any other insurer.

2 (d) The fund consists of:

3 (1) specific appropriations made to the fund by the
4 legislature from time to time;

5 (2) all premiums received and paid into the fund for
6 insurance issued by it;

7 (3) all property and securities acquired by and
8 through the use of money belonging to the fund and acquired by
9 gift or otherwise;

10 (4) all interest and dividends earned upon money be-
11 longing to the fund and deposited or invested as provided in
12 this Act.

13 (e) The fund shall use its assets to pay compensation awards
14 due employees of insured employers, and to pay salaries and
15 administrative expenses charged against it. Necessary reserves
16 for the payment of losses shall be maintained under regulations
17 of the director.

18 (f) The fund may acquire necessary offices. To this end it
19 may buy, sell and hold real property and have necessary buildings
20 built.

21 (g) The commissioner of revenue is the custodian of all
22 money and securities belonging to the fund. He is liable on his
23 official bond for their safekeeping.

24 (h) The director shall deliver all of the money collected
25 or received under this Act to the commissioner of revenue, or
26 deposit it in banks in the state designated by the commissioner
27 of revenue. The money of the fund is not state money.

28 (i) The director shall deliver all securities belonging to
29 the fund to the commissioner of revenue, who shall hold them

1 until they are disposed of under the provisions of this Act.
2 Upon receipt of a delivery or deposit, the commissioner of
3 revenue shall credit the money or securities to the fund.

4 (j) No money may be expended from the fund except on
5 properly authorized vouchers presented by the director to the
6 commissioner of administration. However, the fund may maintain
7 a checking account, not to exceed \$75,000 in fund money, from
8 which it may pay, by checks signed by the director, valid com-
9 pensation claims, before submitting vouchers to the commissioner
10 of administration.

11 (k) The director may assign money in the fund which he
12 determines to be in excess of current requirements to the state
13 bond committee created by Ch. 175, SLA 1960. The state bond
14 committee is responsible for investing money assigned to it by
15 the director.

16 (l) Money of the fund not deposited in the checking
17 account and not otherwise invested shall be deposited by the
18 commissioner of revenue in banks authorized by law to receive
19 deposits of public money, under the same regulations that govern
20 the deposit of public funds. The interest accruing on the money
21 shall be credited to the fund.

22 (m) During the months of January and July of each year, the
23 commissioner of revenue and the director shall have made a valu-
24 ation of the properties and securities acquired and held by and
25 for the fund and shall report the results of the valuation to the
26 governor and other interested parties.

27 (n) Business and affairs of the fund, including litigation,
28 are conducted in the name of the fund.

29 (o) The fund may:

1 (1) sue and be sued in actions arising out of acts or
2 omissions in connection with its business or affairs. Service of
3 process in suits affecting the fund shall be made upon the
4 director and he shall initiate litigation necessary in the affairs
5 of the fund. The Department of Law shall furnish legal services
6 required in respect to litigation;

7 (2) enter into contracts and obligations relating to
8 the fund which are authorized or permitted by law;

9 (3) establish premiums for insurance risks covered by
10 this Act, based on the employer's payroll, excluding fringe
11 benefits, and may reinsure a risk or any part of a risk;

12 (4) assist the commissioner of revenue and the state
13 bond committee in the investment and reinvestment of money be-
14 longing to the fund;

15 (5) conduct all business and affairs and perform all
16 acts relating to the fund whether or not specifically designated
17 in this section.

18 Sec. 2. STATE COMPENSATION INSURANCE FUND DIRECTOR. (a)
19 The director is appointed by the governor, subject to confirma-
20 tion by a majority of the members of the legislature in joint
21 session, and serves at the pleasure of the governor. Before
22 entering on the duties of his office, the director shall qualify
23 by giving an official bond approved by the governor, for
24 \$75,000. The director shall file the bond with the secretary of
25 state.

26 (b) The director has full power, authority and jurisdiction
27 over the fund. He may perform all acts necessary or convenient
28 in the exercise of any power, authority or jurisdiction over the
29 fund, either in the administration of the fund or in connection

1 with the insurance business to be carried on by the fund under
2 the provisions of this Act, as fully and completely as the
3 governing body of a private insurance carrier.

4 (c) The director may adopt regulations relating to the
5 conduct of the business of the fund.

6 (d) The director and the commissioner of revenue shall
7 have an annual audit of the books and records of the fund made
8 by a duly qualified, certified public accountant and have an
9 abstract summary of this audit prepared for public use.
10 Accounts and books of the fund are open at all times to the
11 Legislative Audit Committee. The Legislative Audit Committee
12 may at any time inspect the accounts and books of the fund.

13 (e) The director shall regularly ascertain the actual loss
14 experience and expense of the fund. If the director finds that
15 there is an excess of assets over liabilities and necessary
16 reserves, he may declare a cash dividend or allow credit on the
17 renewal premium of each employer who has been insured with the
18 fund. If a cash dividend or credit is allowed, the director
19 shall allow each employer his proportionate share of the divisible
20 surplus.

21 (f) In conducting the business and affairs of the fund the
22 director may:

23 (1) cause the payrolls of employers applying for
24 insurance or insured by the fund to be inspected and audited;

25 (2) make regulations for settling claims against the
26 fund and for determining to whom and through whom payments of
27 compensation are to be made; provided, that the Alaska Workmen's
28 Compensation Board shall have jurisdiction as provided by law in
29 respect to claims brought before the board;

1 (3) contract with physicians, surgeons, hospitals and
2 rehabilitation facilities for medical, surgical and rehabilitation
3 treatment and the care and nursing of injured persons entitled to
4 benefits from the fund;

5 (4) make safety inspections of risks and furnish
6 advisory services to employers on safety and health measures;

7 (5) act for the fund in collecting and disbursing
8 money necessary to administer the fund and the conduct of the
9 business of the fund.

10 (g) Each quarter the director shall report to the governor
11 the business done by the fund during the previous quarter and
12 submit to him a statement of the resources and liabilities of the
13 fund at the close of the previous quarter.

14 Sec. 3. APPEAL TO COMMISSIONER OF LABOR. An employer who
15 is dissatisfied with the rate classification assigned him by the
16 director may appeal to the commissioner of labor, under procedural
17 regulations adopted by the commissioner of labor. If the com-
18 missioner of labor finds that the classification is unfair to
19 the employer, he may change the employer's classification. In
20 determining whether or not the classification is unfair, the
21 commissioner of labor may take into consideration the conditions
22 in the industry as a whole, the conditions in the business of
23 the employer particularly, the classifications used by private
24 insurance companies, and any other relevant factor.

25 Sec. 4. DUTY OF PARTIES BASED ON ALASKA WORKMEN'S COMPEN-
26 SATION ACT. Every policy or contract for the insurance of
27 compensation and employer's liability provided for in this Act is
28 subject to the provisions of the Alaska Workmen's Compensation
29 Act.

1 Sec. 5. LIABILITY OF EMPLOYER. Any employer who misrepre-
2 sents the amount of the payroll upon which his premium under
3 this Act is to be based is liable to the fund for the damage
4 caused the fund by that misrepresentation. In an action to
5 collect damages under this section, the damage is presumed to be
6 10 times the amount of the difference in the premium paid and
7 the amount the employer should have paid if his payroll had been
8 correctly computed, unless the employer establishes, by a pre-
9 ponderance of the evidence, a different amount of damage.

10 Sec. 6. APPLICABLE ACTS. The provisions of the Adminis-
11 trative Procedure Act are not applicable to the fund. Employees
12 of the fund are covered by the provisions of the Public Employ-
13 ees' Retirement System of Alaska, but are not covered by the
14 provisions of the State Personnel Act of 1960.

15 Sec. 7. EFFECTIVE DATE. This Act takes effect on July 1,
16 1962.

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