

1 IN THE SENATE

BY SENATORS OWEN AND HOPSON

2 SENATE BILL NO. 22

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRD LEGISLATURE - FIRST 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. AS 23 is amended by adding a new chapter to read:

11 CHAPTER 32. STATE COMPENSATION INSURANCE FUND.

12 ARTICLE 1. ADMINISTRATION.

13 Sec. 23.32.010. APPOINTMENT OF DIRECTOR. (a) The
14 director of the state compensation insurance fund is appointed
15 by the governor, subject to confirmation by a majority of the
16 members of the legislature in joint session, and serves at
17 the pleasure of the governor.

18 (b) Before entering on the duties of his office, the
19 director shall qualify by giving an official bond approved by
20 the governor, for \$75,000. The director shall file the bond
21 with the secretary of state.

22 Sec. 23.32.020. GENERAL POWER. The director has full
23 power, authority, and jurisdiction over the fund. He may
24 perform all acts necessary or convenient in the exercise of
25 any power, authority, or jurisdiction over the fund, either
26 in the administration of the fund or in connection with the
27 insurance business to be carried on by the fund under the
28 provisions of this chapter, as fully and completely as the
29 governing body of a private insurance carrier.

1 Sec. 23.32.030. REGULATIONS. The director may adopt
2 regulations relating to the conduct of the business of the
3 fund.

4 Sec. 23.32.040. AUDIT. The director and the commis-
5 sioner of revenue shall have an annual audit of the books
6 and records of the fund made by a duly qualified, certified
7 public accountant and have an abstract summary of this audit
8 prepared for public use. Accounts and books of the fund are
9 open at all times to the Legislative Audit Committee. The
10 Legislative Audit Committee may at any time inspect the
11 accounts and books of the fund.

12 Sec. 23.32.050. DIVIDEND OR CREDIT ALLOWANCE. The
13 director shall regularly ascertain the actual loss exper-
14 ience 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
17 the renewal premium of each employer who has been insured
18 with the fund. If a cash dividend or credit is allowed, the
19 director shall allow each employer his proportionate share
20 of the divisible surplus.

21 Sec. 23.32.060. ADMINISTRATIVE POWERS. In conducting
22 the business and affairs of the fund the 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
26 the fund and for determining to whom and through whom pay-
27 ments of compensation are to be made; provided, that the
28 Alaska Workmen's Compensation Board shall have jurisdiction
29 as provided by law in respect to claims brought before the

1 board;

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

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

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

11 Sec. 23.32.070. REPORT TO GOVERNOR. Each quarter the
12 director shall report to the governor the business done by
13 the fund during the previous quarter and submit to him a
14 statement of the resources and liabilities of the fund at
15 the close of the previous quarter.

16 ARTICLE 2. POWERS AND DUTIES OF THE FUND.

17 Sec. 23.32.090. CREATION OF FUND. There is created a
18 nonprofit, exclusive state compensation insurance fund. It
19 is the intent of the legislature that the fund be self-
20 supporting.

21 Sec. 23.32.100. PURPOSE OF FUND. The purpose of the
22 fund is to insure employers against liability for injuries
23 sustained by their employees and to assure to employees and
24 other persons the compensation and benefits provided under
25 the Alaska Workmen's Compensation Act (AS 23.30).

26 Sec. 23.32.110. POWER TO INSURE. (a) The fund shall
27 insure compensable injuries required or authorized to be in-
28 sured under the Alaska Workmen's Compensation Act (AS 23.30)
29 to the exclusion of any other insurer. Employers who are

1 subject to the Alaska Workmen's Compensation Act, and who do
2 not elect to be self-insurers under AS 23.30.075, shall pur-
3 chase compensation insurance from the fund by January 1,
4 1964.

5 (b) The fund may insure employers against their lia-
6 bility for compensation or damages under the United States
7 Longshoremen's and Harbor Workers' Compensation Act, or any
8 extension of that Act, as fully as any other insurer.

9 Sec. 23.32.120. CONSTITUTION OF FUND. The fund con-
10 sists of

11 (1) specific appropriations made to the fund by
12 the legislature from time to time;

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

15 (3) all property and securities acquired by and
16 through the use of money belonging to the fund and acquired
17 by gift or otherwise;

18 (4) all interest and dividends earned upon money
19 belonging to the fund and deposited or invested as provided
20 in this chapter.

21 Sec. 23.32.130. DISBURSEMENT OF FUNDS. The fund shall
22 use its assets to pay compensation awards due employees of
23 insured employers, and to pay salaries and administrative
24 expenses charged against it. Necessary reserves for the
25 payment of losses shall be maintained under regulations of
26 the director. The fund shall pay money in excess of neces-
27 sary reserves into the general fund until an amount equal
28 to all appropriations to the fund has been paid.

29 Sec. 23.32.140. ACQUIRE OFFICES. The fund may acquire

1 necessary offices. To this end it may buy, sell, and hold
2 real property and have necessary buildings built.

3 Sec. 23.32.150. CUSTODIAN OF FUND. (a) The commis-
4 sioner of revenue is the custodian of all money and securi-
5 ties belonging to the fund. He is liable on his official
6 bond for their safekeeping.

7 (b) The director shall deliver all of the money col-
8 lected or received under this chapter to the commissioner of
9 revenue, or deposit it in banks in the state designated by
10 the commissioner of revenue. The money of the fund is not
11 state money.

12 (c) The director shall deliver all securities belong-
13 ing to the fund to the commissioner of revenue, who shall
14 hold them until they are disposed of under the provisions of
15 this chapter. Upon receipt of a delivery or deposit, the
16 commissioner of revenue shall credit the money or securities
17 to the fund.

18 (d) No money may be expended from the fund except on
19 properly authorized vouchers presented by the director to
20 the commissioner of administration. However, the fund may
21 maintain a checking account, not to exceed \$75,000 in fund
22 money, from which it may pay, by checks signed by the
23 director, valid compensation claims, before submitting
24 vouchers to the commissioner of administration.

25 Sec. 23.32. 160. INVESTMENT OF FUNDS. (a) The
26 director may assign money in the fund which he determines
27 to be in excess of current requirements to the state bond
28 committee. The state bond committee is responsible for in-
29 vesting money assigned to it by the director.

1 (b) Money of the fund not deposited in the checking
2 account and not otherwise invested shall be deposited by the
3 commissioner of revenue in banks authorized by law to re-
4 ceive deposits of public money, under the same regulations
5 that govern the deposit of public funds. The interest
6 accruing on the money shall be credited to the fund.

7 Sec. 23.32.170. VALUATION. During the months of
8 January and July of each year, the commissioner of revenue
9 and the director shall have made a valuation of the proper-
10 ties and securities acquired and held by and for the fund
11 and shall report the results of the valuation to the gover-
12 nor and other interested parties.

13 Sec. 23.32.180. POWERS OF FUND. The fund may

14 (1) sue and be sued in actions arising out of
15 acts or omissions in connection with its business or affairs;

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

18 (3) establish premiums for insurance risks
19 covered by this chapter, based on the employer's payroll,
20 excluding fringe benefits, and may reinsure a risk or any
21 part of a risk;

22 (4) assist the commissioner of revenue and the
23 state bond committee in the investment and reinvestment of
24 money belonging to the fund;

25 (5) conduct all business and affairs and perform
26 all acts relating to the fund whether or not specifically
27 designated in this section.

28 ARTICLE 3. MISCELLANEOUS PROVISIONS.

29 Sec. 23.32.200. SERVICE OF PROCESS. Service of

1 process in suits affecting the fund shall be made upon the
2 director and he shall initiate litigation necessary in the
3 affairs of the fund.

4 Sec. 23.32.210. APPEAL TO COMMISSIONER OF LABOR. An
5 employer who is dissatisfied with the rate classification
6 assigned him by the director may appeal to the commissioner
7 of labor, under procedural regulations adopted by the commis-
8 sioner of labor. If the commissioner of labor finds that the
9 classification is unfair to the employer, he may change the
10 employer's classification. In determining whether or not the
11 classification is unfair, the commissioner of labor may take
12 into consideration the conditions in the industry as a whole,
13 the conditions in the business of the employer particularly,
14 the classifications used by private insurance companies, and
15 any other relevant factor.

16 Sec. 23.32.220. DUTY OF PARTIES BASED ON ALASKA
17 WORKMEN'S COMPENSATION ACT. Every policy or contract for the
18 insurance of compensation and employer's liability provided
19 for in this chapter is subject to the provisions of the
20 Alaska Workmen's Compensation Act (AS 23.30).

21 Sec. 23.32.230. LIABILITY OF EMPLOYER. Any employer
22 who misrepresents the amount of the payroll upon which his
23 premium under this chapter is to be based is liable to the
24 fund for the damage caused the fund by that misrepresenta-
25 tion. In an action to collect damages under this section,
26 the damage is presumed to be 10 times the amount of the dif-
27 ference in the premium paid and the amount the employer
28 should have paid if his payroll had been correctly computed,
29 unless the employer establishes, by a preponderance of the

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evidence, a different amount of damage.

Sec. 23.32.240. APPLICABLE ACTS. The provisions of the Administrative Procedure Act (AS 44.62) are not applicable to the fund. Employees of the fund are covered by the provisions of the public employees' retirement system of Alaska, but are not covered by the provisions of the State Personnel Act (AS 39.25).

Sec. 23.32.250. LEGAL SERVICES. The Department of Law shall provide the fund with necessary legal services.

Sec. 23.32.260. USE OF FUND NAME. Business and affairs of the fund, including litigation, are conducted in the name of the fund.

ARTICLE 4. GENERAL PROVISIONS.

Sec. 23.32.280. DEFINITIONS. In this chapter

(1) "fund" means the state compensation insurance fund; and

(2) "director" means the state compensation insurance fund director.

* Sec. 2. This Act takes effect on July 1, 1963.