

Original sponsors: Orbeck and Huber

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1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 **SCS** 2d CS FOR HOUSE BILL NO. 620

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Workmen's Compensation
7 Act; and providing for an effective date."

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

9 * Section 1. AS 23.30.005 is amended by adding a new subsection to read:

10 (k) The board shall notify the contracting agency of the state or
11 of a political subdivision of the state when it revokes the self-
12 insurance certificate of an employer holding a contract with the state
13 or a political subdivision.

14 * Sec. 2. AS 23.30.030(5) is amended to read:

15 (5) A termination of the policy by cancellation is not
16 effective as to the employees of the insured employer covered by it
17 until 10 days after written notice of the termination has been received
18 by the board. If the employer has a contract with the state or a
19 home rule or other political subdivision of the state, and his policy
20 is cancelled due to nonpayment of a premium, the termination of the
21 policy is not effective as to the employees of the insured employer
22 covered by it until 20 days after written notice of the termination
23 has been received by the contracting agency, and the agency has the
24 option of continuing the payments on behalf of the employer in order to
25 keep the policy in force. If, however, the employer has secured
26 insurance with another insurance carrier, cancellation is effective
27 as of the date of the new coverage.

28 * Sec. 3. AS 23.30.045 is amended by adding new subsections to read:

29 (d) No contract may be awarded by the state or a home rule or

SCS 2d CSHB 620

1 other political subdivision of the state unless the person to whom the
2 contract is to be awarded has submitted to the contracting agency
3 proof, furnished by the insurance carrier, of current coverage by
4 workmen's compensation insurance from an insurance company or associ-
5 ation authorized to transact the business of workmen's compensation
6 insurance in this state or proof, furnished by the board, of a current
7 certificate of self-insurance from the board. The person to whom the
8 contract is awarded shall keep his workmen's compensation insurance
9 policy in effect during the life of the contract with the state or
10 political subdivision. If the state or the political subdivision of
11 the state fails to obtain proof of coverage or self-insurance or to
12 protect itself under (e) of this section, and an employee of the
13 contractor is injured during the term of the contract, the state or the
14 political subdivision is liable for workmen's compensation to the employee
15 if the employee is unable to recover from the employer because of the
16 employer's lack of financial assets. The state or the political sub-
17 division is not liable, however, to the employee for workmen's compensa-
18 tion if the employee can recover from the employer under (a) and (b)
19 of this section.

20 (e) When a contracting agency of the state or a political sub-
21 division receives notice that the workmen's compensation insurance
22 policy of an employer to whom the agency has awarded a contract has
23 been cancelled due to nonpayment of a premium, without being replaced
24 by a comparable policy, the agency may either terminate the contract
25 with the employer or continue the premium payments on his behalf in
26 order to keep the policy in force during the life of the agency's
27 contract. If the agency chooses to keep the policy in force, it may
28 deduct its payments from the contract price or bring an action against
29 the employer to recover the amount of the payments. When the contracting

1 agency receives notice that the board has revoked a certificate of
2 self-insurance held by a person to whom a contract has been awarded,
3 the agency may terminate the contract. This subsection does not limit
4 the causes of action or remedies which the state or political subdivi-
5 sion may have against the employer.

6 (f) All contracts awarded by the state or a home rule or other
7 political subdivision of the state after the effective date of this Act
8 shall contain a clause substantially as follows: "If the contractor's
9 workmen's compensation insurance policy is terminated or canceled or
10 his certificate of self-insurance is revoked, the [name of agency] may
11 terminate the contract. If the contractor's workmen's compensation
12 insurance policy is canceled due to nonpayment of premiums, the [name
13 of agency] may, at its option, continue the premium payments on his
14 behalf in order to keep the policy in force during the life of this
15 contract. If the agency chooses to keep the policy in force, it shall
16 require reimbursement by setoff against the contract price or by any
17 other lawful means. The remedies provided in this clause to the [name
18 of agency] are not exclusive and are without prejudice to any other
19 existing legal rights or remedies of the [state or political subdivi-
20 sion]." This clause is considered as incorporated in each contract
21 regardless of its physical presence in the contract.

22 (g) As used in this section, "contractor" means a person who
23 undertakes by contract performance of certain work for another, and
24 "subcontractor" means a person to whom a contractor sublets all or part
25 of his initial undertaking.

26 * Sec. 4. This Act takes effect on the day after its passage and approval
27 or on the day it becomes law without approval.
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