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ROBINSON HOMES

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Cont. Lic. No. AA-5818

March 1, 1986

Rep. Mike Navarre
Alaska State House of Representatives
Pouch Y (MS 3100)
Juneau, Alaska 99811

Dear Mike,

I would like to thank you for your hospitality while the Home Builders were in Juneau. I would also like to assure you and your staff that I continue to work hard here on the grass-roots level to promote that dearest of issues, close to all of our hearts: the swift passage of H.B. 700!

H.B. 494

I feel that the position expressed in the Teleconference hearing on Feb. 26th by the Homebuilders represents middle ground, and that to do more than these suggested changes is to assure future Legislatures of having to correct the law back closer to what it is now. **Making the misappropriation of funds a criminal offense** should go a long way towards correcting the problems of the present law. Further, if Subs and Suppliers can simply file a **Right to Lien** instead of having to get an Acknowledgement of Right to Lien signed by the Owner of Record, this will make this part of the process much less onerous, and ultimately result in more Subs and Suppliers getting their money. The inclusion of **a criminal penalty for the filing of a false or fraudulent lien** would keep "grudge liens" from being the next problem we would have to deal with.

S.S.H.B. 506

In Chapter 76. JOINT INSURANCE ARRANGEMENTS., Sec. 21.76.010 AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGEMENTS., sub-section (a) should be amended further to include " and non-profit corporations".

FUNDING FOR MUNICIPAL PROJECTS IN SOLDOTNA FOR FY 1987

We in Soldotna are satisfied with the Governor's Capital Budget figures as they were passed to the House from the Senate. These represent the projects that are at the top of our priorities, and will allow us to move forward with plans to include traffic signalization in our Binkley Street Project next summer. Including Signalization at this time will ultimately cost less than doing it as a separate job later, and as you well know, is badly needed. We also need to expand our water and sewer on the south side of the Kenai River to allow for the Development of the Salamantof property, and the building of a much-needed Water Storage Tank.

Sincerely,

Mitchel L. Robinson

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

House Judiciary	4/2/86	1:30 pm
" "	4/3/86	1:30 pm
" "	4/4/86	1:30 pm
" "	4/8/86	1:30 pm

HOUSE
COMMITTEE REPORT

(7

Date referred: 3/26/86

FURTHER REFERRALS: FINANCE

DATE: _____

The JUDICIARY Committee has considered SSHB 506

"An Act relating to insurance; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS same title
- new title

and recommends do pass

further referral to the Finance Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature] - NO REC

[Signature]
Chairman

Original sponsors: Taylor, Gruenberg,
Larson, et al

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 506 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to joint insurance arrangements; and
7 providing for an effective date."

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

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

10 CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

11 Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-
12 MENTS. (a) The following groups may enter into cooperative
13 agreements with each other for the purpose of establishing, operating,
14 or participating in joint insurance arrangements through which the
15 participating members agree to pool contributions in order to either
16 assume risks from losses on a group basis or purchase coverage on a
17 group basis:

18 (1) municipalities;

19 (2) school districts;

20 (3) regional educational attendance areas;

21 (4) unincorporated associations;

22 (5) regional electrical associations;

23 (6) entities qualified to do business under the Federal
24 Risk Retention Act;

25 (7) groups that would be considered valid under this title
26 for the type of insurance for which the joint insurance arrangement is
27 established.

28 (b) A joint insurance arrangement may be for any kind of insur-
29 ance defined by this title except for life insurance and title

1 insurance.

2 (c) A joint insurance arrangement shall be considered an alter-
3 native or supplement to any other policy or contract of insurance
4 authorized or required by law, including insurance under AS 21.75.

5 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint
6 insurance arrangement may not be considered insurance for the purpose
7 of any other law of the state and is not subject to regulations of the
8 director except as expressly provided in this chapter.

9 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
10 cooperative agreement shall provide for the proper operation of the
11 joint insurance arrangement, and include provisions for

12 (1) administration of the arrangement by a board of direc-
13 tors, specifying the number of members of the board and other require-
14 ments necessary for the proper functioning of the board;

15 (2) appointment of an administrator and other persons as
16 necessary for the proper functioning of the arrangement;

17 (3) organization of the arrangement, including a roster of
18 participating members and the names of the members of the board of
19 directors;

20 (4) procedures to establish and promote an aggressive risk
21 management and program among the members of the arrangement, including
22 procedures for identifying and reducing the risks that can be reduced
23 through implementing better safety technologies and improved work
24 techniques and procedures;

25 (5) enforcing the collection of contributions or payments
26 in default from members of the arrangement;

27 (6) the addition of new members to the arrangement or the
28 withdrawal of members from the arrangement;

29 (7) the method of apportioning costs and disposition of

1 excess contributions;

2 (8) transmission of financial statements and audit reports
3 of the arrangement to participating members;

4 (9) terminating the arrangement and disposing of its as-
5 sets; and

6 (10) establishing and administering a joint insurance fund.

7 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
8 cooperative agreement must include a provision requiring an annual
9 determination by a casualty actuary who is a member of the American
10 Academy of Actuaries that procedures for establishing reserves for
11 losses of the joint insurance arrangement are actuarially sound.

12 (b) A joint insurance arrangement shall be subject to an annual
13 independent audit. The audit shall be conducted in accordance with
14 generally accepted auditing standards and must include a review of the
15 actuarial assumptions used for establishing the reserves under (a) of
16 this section. The audit report must include certification from a
17 casualty actuary who is a member of the American Academy of Actuaries
18 that the actuarial assumptions continue to be sound and the level of
19 the reserves are adequate.

20 (c) A joint insurance arrangement shall use a method of account-
21 ing that conforms with generally accepted government accounting prin-
22 ciples.

23 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
24 cooperative agreement may authorize the board of directors to enter
25 into contracts for services necessary to perform the functions of a
26 joint insurance arrangement. The person contracting to perform the
27 functions must be appropriately licensed under this title if this
28 title so requires.

29 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A

1 cooperative agreement may delegate to the board of directors, or
2 authorize delegation by the board to another person or group, the
3 power to compromise, arbitrate, or otherwise settle claims on behalf
4 of the arrangement.

5 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
6 authorize the board of directors to purchase excess or catastrophic
7 insurance on behalf of the joint insurance arrangement. The cost of
8 the insurance shall be apportioned in the manner specified in the
9 joint insurance agreement. The board may purchase insurance under
10 this section only from an insurer authorized to do business in the
11 state or from an unauthorized insurer if the insurance is placed
12 through a licensed surplus lines broker.

13 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
14 arrangement shall establish a joint insurance fund. The fund consists
15 of money

16 (1) contributed by members of the joint insurance arrange-
17 ment through budgetary appropriations or transfers from a self-insur-
18 ance reserve;

19 (2) contributed by officers and employees of members of the
20 joint insurance arrangement under an employee benefit plan; and

21 (3) collected by the joint insurance arrangement through
22 subrogation of a claim paid from the fund to a member of the arrange-
23 ment.

24 (b) An expenditure may be made from a joint insurance fund only
25 to pay claims, losses, or benefits, including interest on them, and
26 the administrative and adjustment expenses incurred in connection with
27 them, involving the types of protection for which the fund provides
28 coverage as specified in the joint insurance agreement.

29 (c) The administrator shall keep the fund separate from other

1 funds of a member of a joint insurance arrangement.

2 (d) For each type of protection offered by the joint insurance
3 arrangement, the method of accounting must show the order, source,
4 date, and amount of each payment from the fund.

5 (e) Within 60 days of the end of the fiscal year, the adminis-
6 trator shall furnish a detailed report of the operation and condition
7 of the fund to the board of directors and the director of insurance.
8 The report furnished to the director of insurance shall be available
9 for public inspection.

10 (f) Money held by a fund as reserves and money not needed for
11 daily operations may be invested by the board of directors.

12 (g) A fund may not be terminated unless the administrator certi-
13 fies that an amount of money sufficient to pay accrued and contingent
14 expenditures has been placed in a fully collateralized escrow account.

15 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
16 shall file a copy of the cooperative agreement with the director of
17 insurance at least 60 days before the effective date of the agreement.
18 The agreement shall be available for public inspection.

19 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
20 thorize the board of directors to adopt regulations not inconsistent
21 with law for the fair and equitable administration of the joint insur-
22 ance arrangement and the joint insurance fund.

23 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
24 a cause of action for reimbursement of money paid to a participating
25 member for a loss or injury if the participating member recovers money
26 for the loss or injury from a third party. The joint insurance ar-
27 rangement also has a direct cause of action for reimbursement against
28 a third party responsible for loss or injuries sustained by a partic-
29 ipating member if the joint arrangement has paid money to the

1 participating member for the loss or injuries.

2 Sec. 21.76.900. DEFINITIONS. In this chapter

3 (1) "adjustment expenses" means expenses for investigative,
4 processing, legal, actuarial, arbitration, and settlement services
5 incurred in the adjustment of losses, claims, or benefits;

6 (2) "administrator" means a person or group appointed by
7 the board of directors to administer a joint insurance arrangement or
8 a joint insurance fund;

9 (3) "board" or "board of directors" means the board of
10 directors provided for in a cooperative agreement;

11 (4) "cooperative agreement" means a written agreement
12 entered into by two or more entities described in AS 21.76.010 for the
13 purpose of establishing, operating, or participating in a joint insur-
14 ance arrangement;

15 (5) "fund" or "joint insurance fund" means a fund estab-
16 lished under AS 21.76.080;

17 (6) "joint insurance arrangement" means a joint insurance
18 arrangement authorized under AS 21.76.010.

19 * Sec. 2. AS 21.36.190 is amended by adding a new subsection to read:

20 (e) This section does not apply to insurance coverage under a
21 joint insurance arrangement authorized by AS 21.76.

22 * Sec. 3. AS 21.39.155(a) is amended to read:

23 (a) The director may require carriers, except a reciprocal
24 insurer formed by and insuring only a group of municipalities or
25 nonprofit public utilities under AS 21.75 or a joint insurance ar-
26 angement formed under AS 21.76, as a condition of writing a line of
27 insurance dealing with workers' compensation, to participate in an
28 assigned risk pool if the director finds that mandatory carrier part-
29 icipation is in the public interest.

1 * Sec. 4. AS 21.80.180(5) is amended to read:

2 (5) "insolvent insurer" means an insurer

3 (A) authorized to transact insurance in this state,
4 except an assessable reciprocal insurer formed by and insuring
5 only municipalities or nonprofit public utilities, a joint insur-
6 ance arrangement formed under AS 21.76, the Medical Indemnity
7 Corporation of Alaska, and the Health Care Providers Joint Under-
8 writing Association established under AS 21.88, either at the
9 time the policy was issued or when the insured event occurred,
10 and

11 (B) determined to be insolvent by a court of competent
12 jurisdiction;

13 * Sec. 5. AS 21.80.180(6) is amended to read:

14 (6) "member insurer" means a person, except an assessable
15 reciprocal insurer formed by and insuring only municipalities or
16 nonprofit public utilities, a joint insurance arrangement formed under
17 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
18 Care Providers Joint Underwriting Association established under
19 AS 21.88, who

20 (A) writes any kind of insurance to which this chapter
21 applies under AS 21.80.020 including the exchange of reciprocal
22 or interinsurance contracts, and

23 (B) is licensed to transact insurance in this state;

24 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).
26
27
28
29

Lauterbach
4/3/86

Original sponsors: Taylor, Gruenberg,
Larson, et al

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 506 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to joint insurance arrangements;
7 repealing certain prohibitions related to fictitious
8 groups formed for insurance purposes; and providing
9 for an effective date."

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

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

12 CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

13 Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-
14 MENTS. (a) The following groups may enter into cooperative
15 agreements with each other for the purpose of establishing, operating,
16 or participating in joint insurance arrangements through which the
17 participating members agree to pool contributions in order to either
18 assume risks from losses on a group basis or purchase coverage on a
19 group basis:

- 20 (1) municipalities;
- 21 (2) school districts;
- 22 (3) regional educational attendance areas;
- 23 (4) unincorporated associations;
- 24 (5) regional electrical associations;
- 25 (6) entities qualified to do business under the Federal
26 Risk Retention Act;
- 27 (7) groups that would be considered valid under this title
28 for the type of insurance for which the joint insurance arrangement is
29 established.

1 (b) A joint insurance arrangement may be for any kind of insur-
2 ance defined by this title except for life insurance and title insur-
3 ance.

4 (c) A joint insurance arrangement shall be considered an alter-
5 native or supplement to any other policy or contract of insurance
6 authorized or required by law, including insurance under AS 21.75.

7 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint
8 insurance arrangement may not be considered insurance for the purpose
9 of any other law of the state and is not subject to regulations of the
10 director except as expressly provided in this chapter.

11 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
12 cooperative agreement shall provide for the proper operation of the
13 joint insurance arrangement, and include provisions for

14 (1) administration of the arrangement by a board of direc-
15 tors, specifying the number of members of the board and other require-
16 ments necessary for the proper functioning of the board;

17 (2) appointment of an administrator and other persons as
18 necessary for the proper functioning of the arrangement;

19 (3) organization of the arrangement, including a roster of
20 participating members and the names of the members of the board of
21 directors;

22 (4) procedures to establish and promote an aggressive risk
23 management and program among the members of the arrangement, including
24 procedures for identifying and reducing the risks that can be reduced
25 through implementing better safety technologies and improved work
26 techniques and procedures;

27 (5) enforcing the collection of contributions or payments
28 in default from members of the arrangement;

29 (6) the addition of new members to the arrangement or the

1 withdrawal of members from the arrangement;

2 (7) the method of apportioning costs and disposition of
3 excess contributions;

4 (8) transmission of financial statements and audit reports
5 of the arrangement to participating members;

6 (9) terminating the arrangement and disposing of its as-
7 sets; and

8 (10) establishing and administering a joint insurance fund.

9 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
10 cooperative agreement must include a provision requiring an annual
11 determination by a casualty actuary who is a member of the American
12 Academy of Actuaries that procedures for establishing reserves for
13 losses of the joint insurance arrangement are actuarially sound.

14 (b) A joint insurance arrangement shall be subject to an annual
15 independent audit. The audit shall be conducted in accordance with
16 generally accepted auditing standards and must include a review of the
17 actuarial assumptions used for establishing the reserves under (a) of
18 this section. The audit report must include certification from a
19 casualty actuary who is a member of the American Academy of Actuaries
20 that the actuarial assumptions continue to be sound and the level of
21 the reserves are adequate.

22 (c) A joint insurance arrangement shall use a method of account-
23 ing that conforms with generally accepted government accounting prin-
24 ciples.

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1 title so requires.

2 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
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4 delegation by the board to another person or group, the power to
5 compromise, arbitrate, or otherwise settle claims on behalf of the
6 arrangement.

7 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
8 authorize the board of directors to purchase excess or catastrophic
9 insurance on behalf of the joint insurance arrangement. The cost of
10 the insurance shall be apportioned in the manner specified in the
11 joint insurance agreement. The board may purchase insurance under
12 this section only from an insurer authorized to do business in the
13 state or from an unauthorized insurer if the insurance is placed
14 through a licensed surplus lines broker.

15 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
16 arrangement shall establish a joint insurance fund. The fund consists
17 of money

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19 ment through budgetary appropriations or transfers from a self-insur-
20 ance reserve;

21 (2) contributed by officers and employees of members of the
22 joint insurance arrangement under an employee benefit plan; and

23 (3) collected by the joint insurance arrangement through
24 subrogation of a claim paid from the fund to a member of the arrange-
25 ment.

26 (b) An expenditure may be made from a joint insurance fund only
27 to pay claims, losses, or benefits, including interest on them, and
28 the administrative and adjustment expenses incurred in connection with
29 them, involving the types of protection for which the fund provides

1 coverage as specified in the joint insurance agreement.

2 (c) The administrator shall keep the fund separate from other
3 funds of a member of a joint insurance arrangement.

4 (d) For each type of protection offered by the joint insurance
5 arrangement, the method of accounting must show the order, source
6 date, and amount of each payment from the fund.

7 (e) Within 60 days of the end of the fiscal year, the adminis-
8 trator shall furnish a detailed report of the operation and condition
9 of the fund to the board of directors and the director of insurance.
10 The report furnished to the director of insurance shall be available
11 for public inspection.

12 (f) Money held by a fund as reserves and money not needed for
13 daily operations may be invested by the board of directors.

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15 fies that an amount of money sufficient to pay accrued and contingent
16 expenditures has been placed in a fully collateralized escrow account.

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22 thorize the board of directors to adopt regulations not inconsistent
23 with law for the fair and equitable administration of the joint insur-
24 ance arrangement and the joint insurance fund.

25 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
26 a cause of action for reimbursement of money paid to a participating
27 member for a loss or injury if the participating member recovers money
28 for the loss or injury from a third party. The joint insurance ar-
29 rangement also has a direct cause of action for reimbursement against

1 a third party responsible for loss or injuries sustained by a partic-
2 ipating member if the joint arrangement has paid money to the partic-
3 ipating member for the loss or injuries.

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5 (1) "adjustment expenses" means expenses for investigative,
6 processing, legal, actuarial, arbitration, and settlement services
7 incurred in the adjustment of losses, claims, or benefits;

8 (2) "administrator" means a person or group appointed by
9 the board of directors to administer a joint insurance arrangement or
10 a joint insurance fund;

11 (3) "board" or "board of directors" means the board of
12 directors provided for in a cooperative agreement;

13 (4) "cooperative agreement" means a written agreement
14 entered into by two or more entities described in AS 21.75.010 for the
15 purpose of establishing, operating, or participating in a joint insur-
16 ance arrangement;

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18 lished under AS 21.76.080;

19 (6) "joint insurance arrangement" means a joint insurance
20 arrangement authorized under AS 21.76.010.

21 * Sec. 2. AS 21.39.155(a) is amended to read:

22 (a) The director may require carriers, except a reciprocal
23 insurer formed by and insuring only a group of municipalities or
24 nonprofit public utilities under AS 21.75 or a joint insurance ar-
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26 insurance dealing with workers' compensation, to participate in an
27 assigned risk pool if the director finds that mandatory carrier part-
28 icipation is in the public interest.

29 * Sec. 3. AS 21.80.180(5) is amended to read:

1 (5) "insolvent insurer" means an insurer

2 (A) authorized to transact insurance in this state,
3 except an assessable reciprocal insurer formed by and insuring
4 only municipalities or nonprofit public utilities, a joint insur-
5 ance arrangement formed under AS 21.76, the Medical Indemnity
6 Corporation of Alaska, and the Health Care Providers Joint Under-
7 writing Association established under AS 21.88, either at the
8 time the policy was issued or when the insured event occurred,
9 and

10 (B) determined to be insolvent by a court of competent
11 jurisdiction;

12 * Sec. 4. AS 21.80.180(6) is amended to read:

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14 reciprocal insurer formed by and insuring only municipalities or
15 nonprofit public utilities, a joint insurance arrangement formed under
16 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
17 Care Providers Joint Underwriting Association established under
18 AS 21.88, who

19 (A) writes any kind of insurance to which this chapter
20 applies under AS 21.80.020 including the exchange of reciprocal
21 or interinsurance contracts, and

22 (B) is licensed to transact insurance in this state;

23 * Sec. 5. AS 21.36.190 is repealed.

24 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

4/8/05 CSSS HB 506 (JUD)

Nancy -

For stylistic reasons, I added your requested language as a new subsection rather than amending subsection (c). If this version becomes law, subsections (c), (d), and (e) will each refer to different kinds of exemptions from the prohibitions of AS 21.36.190. (See *Sec. 2 of the draft.)

Teri Lauterbach
Asst. Revisor
Legal Services

Lauterbach
4/8/86

Original sponsors: Taylor, Gruenberg,
Larson, et al

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 506 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

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7 providing for an effective date."

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

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16 assume risks from losses on a group basis or purchase coverage on a
17 group basis:

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- 23 (6) entities qualified to do business under the Federal
24 Risk Retention Act;

25 (7) group; that would be considered valid under this title
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27 established.

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29 ance defined by this title except for life insurance and title

1 insurance.

2 (c) A joint insurance arrangement shall be considered an alter-
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6 insurance arrangement may not be considered insurance for the purpose
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16 necessary for the proper functioning of the arrangement;

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18 participating members and the names of the members of the board of
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21 management and program among the members of the arrangement, including
22 procedures for identifying and reducing the risks that can be reduced
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7 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
8 cooperative agreement must include a provision requiring an annual
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13 independent audit. The audit shall be conducted in accordance with
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19 the reserves are adequate.

20 (c) A joint insurance arrangement shall use a method of account-
21 ing that conforms with generally accepted government accounting prin-
22 ciples.

23 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
24 cooperative agreement may authorize the board of directors to enter
25 into contracts for services necessary to perform the functions of a
26 joint insurance arrangement. The person contracting to perform the
27 functions must be appropriately licensed under this title if this
28 title so requires.

29 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A

1 cooperative agreement may delegate to the board of directors, or
 2 authorize delegation by the board to another person or group, the
 3 power to compromise, arbitrate, or otherwise settle claims on behalf
 4 of the arrangement.

5 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
 6 authorize the board of directors to purchase excess or catastrophic
 7 insurance on behalf of the joint insurance arrangement. The cost of
 8 the insurance shall be apportioned in the manner specified in the
 9 joint insurance agreement. The board may purchase insurance under
 10 this section only from an insurer authorized to do business in the
 11 state or from an unauthorized insurer if the insurance is placed
 12 through a licensed surplus lines broker.

13 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
 14 arrangement shall establish a joint insurance fund. The fund consists
 15 of money

16 (1) contributed by members of the joint insurance arrange-
 17 ment through budgetary appropriations or transfers from a self-insur-
 18 ance reserve;

19 (2) contributed by officers and employees of members of the
 20 joint insurance arrangement under an employee benefit plan; and

21 (3) collected by the joint insurance arrangement through
 22 subrogation of a claim paid from the fund to a member of the arrange-
 23 ment.

24 (b) An expenditure may be made from a joint insurance fund only
 25 to pay claims, losses, or benefits, including interest on them, and
 26 the administrative and adjustment expenses incurred in connection with
 27 them, involving the types of protection for which the fund provides
 28 coverage as specified in the joint insurance agreement.

29 (c) The administrator shall keep the fund separate from other

1 funds of a member of a joint insurance arrangement.

2 (d) For each type of protection offered by the joint insurance
3 arrangement, the method of accounting must show the order, source,
4 date, and amount of each payment from the fund.

5 (e) Within 60 days of the end of the fiscal year, the adminis-
6 trator shall furnish a detailed report of the operation and condition
7 of the fund to the board of directors and the director of insurance.
8 The report furnished to the director of insurance shall be available
9 for public inspection.

10 (f) Money held by a fund as reserves and money not needed for
11 daily operations may be invested by the board of directors.

12 (g) A fund may not be terminated unless the administrator certi-
13 fies that an amount of money sufficient to pay accrued and contingent
14 expenditures has been placed in a fully collateralized escrow account.

15 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
16 shall file a copy of the cooperative agreement with the director of
17 insurance at least 60 days before the effective date of the agreement.
18 The agreement shall be available for public inspection.

19 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
20 thorize the board of directors to adopt regulations not inconsistent
21 with law for the fair and equitable administration of the joint insur-
22 ance arrangement and the joint insurance fund.

23 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
24 a cause of action for reimbursement of money paid to a participating
25 member for a loss or injury if the participating member recovers money
26 for the loss or injury from a third party. The joint insurance ar-
27 rangement also has a direct cause of action for reimbursement against
28 a third party responsible for loss or injuries sustained by a partic-
29 ipating member if the joint arrangement has paid money to the

1 participating member for the loss or injuries.

2 Sec. 21.76.900. DEFINITIONS. In this chapter

3 (1) "adjustment expenses" means expenses for investigative,
4 processing, legal, actuarial, arbitration, and settlement services
5 incurred in the adjustment of losses, claims, or benefits;

6 (2) "administrator" means a person or group appointed by
7 the board of directors to administer a joint insurance arrangement or
8 a joint insurance fund;

9 (3) "board" or "board of directors" means the board of
10 directors provided for in a cooperative agreement;

11 (4) "cooperative agreement" means a written agreement
12 entered into by two or more entities described in AS 21.76.010 for the
13 purpose of establishing, operating, or participating in a joint insur-
14 ance arrangement;

15 (5) "fund" or "joint insurance fund" means a fund estab-
16 lished under AS 21.76.080;

17 (6) "joint insurance arrangement" means a joint insurance
18 arrangement authorized under AS 21.76.010.

19 * Sec. 2. AS 21.36.190 is amended by adding a new subsection to read:

20 (e) This section does not apply to insurance coverage under a
21 joint insurance arrangement authorized by AS 21.76.

22 * Sec. 3. AS 21.39.155(a) is amended to read:

23 (a) The director may require carriers, except a reciprocal
24 insurer formed by and insuring only a group of municipalities or
25 nonprofit public utilities under AS 21.75 or a joint insurance ar-
26 angement formed under AS 21.76, as a condition of writing a line of
27 insurance dealing with workers' compensation, to participate in an
28 assigned risk pool if the director finds that mandatory carrier part-
29 icipation is in the public interest.

1 * Sec. 4. AS 21.80.180(5) is amended to read:

2 (5) "insolvent insurer" means an insurer

3 (A) authorized to transact insurance in this state,
4 except an assessable reciprocal insurer formed by and insuring
5 only municipalities or nonprofit public utilities, a joint insur-
6 ance arrangement formed under AS 21.76, the Medical Indemnity
7 Corporation of Alaska, and the Health Care Providers Joint Under-
8 writing Association established under AS 21.88, either at the
9 time the policy was issued or when the insured event occurred,
10 and

11 (B) determined to be insolvent by a court of competent
12 jurisdiction;

13 * Sec. 5. AS 21.80.180(6) is amended to read:

14 (6) "member insurer" means a person, except an assessable
15 reciprocal insurer formed by and insuring only municipalities or
16 nonprofit public utilities, a joint insurance arrangement formed under
17 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
18 Care Providers Joint Underwriting Association established under
19 AS 21.88, who

20 (A) writes any kind of insurance to which this chapter
21 applies under AS 21.80.020 including the exchange of reciprocal
22 or interinsurance contracts, and

23 (B) is licensed to transact insurance in this state;

24 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

14-2005
Lauterbach
3/17/86

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance; and providing for an
7 effective date."

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

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

10 CHAPTER 79. ALASKA REINSURANCE FUND.

11 Sec. 21.79.010. REINSURANCE FUND ESTABLISHED. (a) The Alaska
12 reinsurance fund is established as an account in the general fund.
13 The fund consists of appropriations made to it by law for the purposes
14 of this chapter.

15 (b) Money in the fund may be used to pay

16 (1) reinsurance claims under the reinsurance coverage
17 provided under AS 21.79.050; and

18 (2) administrative expenses of the Department of Commerce
19 and Economic Development that are necessary or appropriate to carry
20 out the purposes of this chapter.

21 Sec. 21.79.020. HEARINGS ON AVAILABILITY OF INSURANCE. (a)
22 Within 30 days after receiving an application by a manufacturer,
23 service provider, or a group or association representing manufacturers
24 or service providers, the division shall hold a hearing on the
25 availability and affordability of adequate commercial general liabil-
26 ity insurance and other lines of insurance for the applicant or mem-
27 bers of the applicant group or association.

28 (b) In addition to hearings under (a) of this section, the
29 division may hold a hearing on the availability and affordability of

1 adequate commercial general liability insurance and other lines of
2 insurance after a finding by the director that the line of insurance
3 has become unavailable or unaffordable in the state.

4 Sec. 21.79.030. DETERMINATION OF AVAILABILITY OF INSURANCE. (a)
5 Within 30 days after a hearing under AS 21.79.020, the director shall
6 determine in writing, based on the hearing record, whether the insur-
7 ance at issue in the hearing is, and will be, reasonably available and
8 affordable to cover anticipated claims of the affected manufacturers
9 or service providers.

10 (b) If the director determines under (a) of this section that a
11 line of insurance is not available or affordable or will not be avail-
12 able or affordable, the director may implement the insurance pool
13 provisions of AS 21.79.040 or the reinsurance coverage described in
14 AS 21.79.050, or both.

15 Sec. 21.79.040. INSURANCE POOLS. (a) After a determination of
16 unavailability or unaffordability under AS 21.79.030(b), the director
17 may encourage and assist insurers licensed to operate in the state to
18 join together in insurance pools for the purpose of assuming, on the
19 terms and conditions they agree to, a reasonable portion of respon-
20 sibility for the adjustment and payment of claims arising from product
21 or service related injuries, disabilities, illnesses, and deaths.

22 (b) Money from the insurance pools established under (a) of this
23 section may be used only to pay claims resulting from product or
24 service related actions in excess of amounts that are established each
25 year by the director. The director may establish different amounts
26 for each manufacturer, service provider, or insurer and each product
27 or service based on the needs of the manufacturer, service provider,
28 or insurer and other relevant factors.

29 (c) Insurance pools established under this section may be funded

1 by premiums paid by manufacturers or service providers to insurers
2 approved by the director. If the director finds, after notice and
3 public hearing, that the premiums charged by the insurance pools make
4 the insurance from the pools unavailable or unaffordable for manufac-
5 turers or service providers, the director may amend the terms and
6 conditions of reinsurance under AS 21.79.050 to decrease the premiums
7 to be paid.

8 Sec. 21.79.050. REINSURANCE COVERAGE. (a) After a finding of
9 unavailability or unaffordability under AS 21.79.030(b), the director
10 may take necessary action to make reinsurance coverage available to
11 the insurance pools formed under AS 21.79.040. The director may also
12 make reinsurance available directly to insurers that participate in
13 pools established under AS 21.79.040 for the portion of their business
14 that is related to a line of insurance that the director determines is
15 unavailable or unaffordable under AS 21.79.030(b) but that is not
16 within a pool created under AS 21.79.040. Action authorized under
17 this subsection includes the authority to enter into a contract with
18 an insurer or pool for reinsurance coverage based on a premium, fee,
19 or other charge set by the director.

20 (b) The director shall include in a contract or arrangement
21 under this section the terms the director considers necessary to carry
22 out the purposes of this chapter. The reinsurance may be subject to
23 deductibles and other restrictions and limitations.

24 (c) The director may not provide reinsurance under this section
25 to a manufacturer, service provider, insurer, or pool of insurers that

26 (1) the director determines to be uninsurable; or

27 (2) has not adopted reasonable protective measures to
28 prevent loss, consistent with standards adopted by the director under
29 AS 21.79.100(a).

1 (d) Reinsurance offered under this section shall reimburse an
2 insurer or pool for its total proved and approved claims for covered
3 losses resulting from product or service related injuries, disabil-
4 ities, illnesses, and deaths during the term of the reinsurance con-
5 tract or other agreement, above the amount of the insurer's or pool's
6 retention of the losses as provided in the reinsurance contract.

7 (e) Reinsurance claims under this section shall be paid from the
8 fund established in AS 21.79.010.

9 Sec. 21.79.060. CONTRACTING WITH INSURANCE COMPANIES. The
10 director may contract with a private insurer, agent, broker, or insur-
11 ance organization to administer the programs established under this
12 chapter, except that the director may not delegate the responsibili-
13 ties described in AS 21.79.020.

14 Sec. 21.79.100. GENERAL RESTRICTIONS ON PROGRAMS UNDER THIS
15 CHAPTER. (a) The director shall ensure that programs operated under
16 this chapter

17 (1) do not act as disincentives for improvements in product
18 safety or safe service delivery;

19 (2) promote product safety and safe service delivery
20 through the establishment of models for risk management that are
21 agreed on by the director, insurers, and insureds and adopted by the
22 director by regulation as a prerequisite for eligibility for any
23 programs under this chapter.

24 (b) A manufacturer or service provider that benefits from a
25 program under this chapter shall agree that the relevant product or
26 service will remain available to the public during the period in which
27 the manufacturer or service provider participates in the programs.

28 (c) An insurer that benefits from programs under this chapter
29 shall agree that insurance that is written during the period in which

1 the insurer or its insured manufacturer or service provider partic-
2 ipates in the programs will have premiums that are based on an experi-
3 ence rate.

4 Sec. 21.79.110. ENFORCEMENT OF THIS CHAPTER. (a) At the re-
5 quest of the director, the attorney general shall bring an action in
6 the appropriate court to recover from an insurer the amount of an
7 unpaid premium lawfully payable by the insurer to the director or its
8 delegated agent.

9 (b) An action under this section must be brought within five
10 years of the date the right to payment accrued. If false or fraudu-
11 lent conduct warrants, the claim is not considered to have accrued
12 until its discovery.

13 (c) A recovery under this section shall be deposited in the
14 general fund.

15 Sec. 21.79.200. PERIODIC REVIEW OF PROGRAMS. The director shall
16 periodically review the programs operating under this chapter and
17 annually report to the legislature within the first 10 days of each
18 regular session, beginning with the Second Session of the Fifteenth
19 Legislature, concerning

20 (1) whether the programs are effectively making commercial
21 general liability and other essential lines of liability insurance
22 readily available to the intended manufacturers and service providers;

23 (2) the director's recommendations for revising this chap-
24 ter in order that it may more effectively achieve its purposes.

25 * Sec. 2. By the fifth day of the First Session of the Fifteenth Legis-
26 lature, the commissioner of commerce and economic development shall report
27 to the legislature concerning

28 (1) the nature and extent of anticipated use of the insurance
29 industry in the delivery of reinsurance under this Act to manufacturers,

1 service providers, insurers, and pools of insurance;

2 (2) anticipated costs of providing reinsurance under this Act to
3 manufacturers, service providers, insurers, and pools of insurance;

4 (3) the identity of potential applicants that have contacted the
5 department about the programs that would be authorized under this Act; and

6 (4) the identity of affected parties that might benefit from
7 participation in the programs authorized under this Act.

8 * Sec. 3. Section 2 of this Act takes effect immediately in accordance
9 with AS 01.10.070(c).

10 * Sec. 4. Section 1 of this Act takes effect March 1, 1987.

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Lauterbach ✓
3/17/86

Original sponsors: Taylor, Gruenberg,
Larson, et al

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 506 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance; and providing for an
7 effective

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

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

10 CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

11 Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-
12 MENTS. (a) Municipalities, school districts, and regional educa-
13 tional attendance areas may enter into cooperative agreements with
14 each other for the purpose of establishing, operating, or participat-
15 ing in joint insurance arrangements through which the participating
16 members agree to pool contributions and

17 (1) assume risks from losses on a group basis; or

18 (2) purchase coverage on a group basis.

19 (b) A joint insurance arrangement may be for any kind of insur-
20 ance defined by this title except for life insurance and title insur-
21 ance.

22 (c) A joint insurance arrangement shall be considered an alter-
23 native or supplement to any other policy or contract of insurance
24 authorized or required by law, including insurance under AS 21.75.

25 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint
26 insurance arrangement may not be considered insurance for the purpose
27 of any other law of the state and is not subject to regulations of the
28 director except as expressly provided in this chapter.

29 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A

1 cooperative agreement shall provide for the proper operation of the
2 joint insurance arrangement, and include provisions for

3 (1) administration of the arrangement by a board of direc-
4 tors, specifying the number of members of the board and other require-
5 ments necessary for the proper functioning of the board;

6 (2) appointment of an administrator and other persons as
7 necessary for the proper functioning of the arrangement;

8 (3) organization of the arrangement, including a roster of
9 participating members and the names of the members of the board of
10 directors;

11 (4) procedures to establish and promote an aggressive risk
12 management and program among the members of the arrangement, including
13 procedures for identifying and reducing the risks that can be reduced
14 through implementir better safety technologies and improved work
15 techniques and procedures;

16 (5) enforcing the collection of contributions or payments
17 in default from members of the arrangement;

18 (6) the addition of new members to the arrangement or the
19 withdrawal of members from the arrangement;

20 (7) the method of apportioning costs and disposition of
21 excess contributions;

22 (8) transmission of financial statements and audit reports
23 of the arrangement to participating members;

24 (9) terminating the arrangement and disposing of its as-
25 sets; and

26 (10) establishing and administering a joint insurance fund.

27 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
28 cooperative agreement must include a provision requiring an annual
29 determination by a casualty actuary who is a member of the American

1 Academy of Actuaries that procedures for establishing reserves for
2 losses of the joint insurance arrangement are actuarially sound.

3 (b) A joint insurance arrangement shall be subject to an annual
4 independent audit. The audit shall be conducted in accordance with
5 generally accepted auditing standards and must include a review of the
6 actuarial assumptions used for establishing the reserves under (a) of
7 this section. The audit report must include certification from a
8 casualty actuary who is a member of the American Academy of Actuaries
9 that the actuarial assumptions continue to be sound and the level of
10 the reserves are adequate.

11 (c) A joint insurance arrangement shall use a method of account-
12 ing that conforms with generally accepted government accounting prin-
13 ciples.

14 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
15 cooperative agreement may authorize the board of directors to enter
16 into contracts for services necessary to perform the functions of a
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2 state or from an unauthorized insurer if the insurance is placed
3 through a licensed surplus lines broker.

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5 arrangement shall establish a joint insurance fund. The fund consists
6 of money

7 (1) contributed by members of the joint insurance arrange-
8 ment through budgetary appropriations or transfers from a self-insur-
9 ance reserve;

10 (2) contributed by officers and employees of members of the
11 joint insurance arrangement under an employee benefit plan; and

12 (3) collected by the joint insurance arrangement through
13 subrogation of a claim paid from the fund to a member of the arrange-
14 ment.

15 (b) An expenditure may be made from a joint insurance fund only
16 to pay claims, losses, or benefits, including interest on them, and
17 the administrative and adjustment expenses incurred in connection with
18 them, involving the types of protection for which the fund provides
19 coverage as specified in the joint insurance agreement.

20 (c) The administrator shall keep the fund separate from other
21 funds of a member of a joint insurance arrangement.

22 (d) For each type of protection offered by the joint insurance
23 arrangement, the method of accounting must show the order, source,
24 date, and amount of each payment from the fund.

25 (e) Within 60 days of the end of the fiscal year, the adminis-
26 trator shall furnish a detailed report of the operation and condition
27 of the fund to the board of directors and the director of insurance.
28 The report furnished to the director of insurance shall be available
29 for public inspection.

1 (f) Money held by a fund as reserves and money not needed for
2 daily operations may be invested by the board of directors.

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5 expenditures has been placed in a fully collateralized escrow account.

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15 a cause of action for reimbursement of money paid to a participating
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17 for the loss or injury from a third party. The joint insurance ar-
18 rangement also has a direct cause of action for reimbursement against
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23 (1) "adjustment expenses" means expenses for investigative,
24 processing, legal, actuarial, arbitration, and settlement services
25 incurred in the adjustment of losses, claims, or benefits;

26 (2) "administrator" means a person or group appointed by
27 the board of directors to administer a joint insurance arrangement or
28 a joint insurance fund;

29 (3) "board" or "board of directors" means the board of

1 directors provided for in a cooperative agreement;

2 (4) "cooperative agreement" means a written agreement
3 entered into by two or more entities described in AS 21.76.010 for the
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15 insurance dealing with workers' compensation, to participate in an
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17 icipation is in the public interest.

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19 (5) "insolvent insurer" means an insurer

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8 (A) writes any kind of insurance to which this chapter
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10 or interinsurance contracts, and

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12 * Sec. 5. AS 21.36.190 is repealed.

13 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).
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Offered: 3/26/86
Referred: Judiciary and
Finance

Original sponsors: Taylor, Gruenberg,
Larsen, et al

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 506 (L&C)

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15 ing in joint insurance arrangements through which the participating
16 members agree to pool contributions and

17 (1) assume risks from losses on a group basis; or

18 (2) purchase coverage on a group basis.

19 (b) A joint insurance arrangement may be for any kind of insur-
20 ance defined by this title except for life insurance and title insur-
21 ance.

22 (c) A joint insurance arrangement shall be considered an alter-
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24 authorized or required by law, including insurance under AS 21.75.

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9 participating members and the names of the members of the board of
10 directors;

11 (4) procedures to establish and promote an aggressive risk
12 management and program among the members of the arrangement, including
13 procedures for identifying and reducing the risks that can be reduced
14 through implementing better safety technologies and improved work
15 techniques and procedures;

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4 independent audit. The audit shall be conducted in accordance with
5 generally accepted auditing standards and must include a review of the
6 actuarial assumptions used for establishing the reserves under (a) of
7 this section. The audit report must include certification from a
8 casualty actuary who is a member of the American Academy of Actuaries
9 that the actuarial assumptions continue to be sound and the level of
10 the reserves are adequate.

11 (c) A joint insurance arrangement shall use a method of account-
12 ing that conforms with generally accepted government accounting prin-
13 ciples.

14 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
15 cooperative agreement may authorize the board of directors to enter
16 into contracts for services necessary to perform the functions of a
17 joint insurance arrangement. The person contracting to perform the
18 functions must be appropriately licensed under this title if this
19 title so requires.

20 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
21 ative agreement may delegate to the board of directors, or authorize
22 delegation by the board to another person or group, the power to
23 compromise, arbitrate, or otherwise settle claims on behalf of the
24 arrangement.

25 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
26 authorize the board of directors to purchase excess or catastrophic
27 insurance on behalf of the joint insurance arrangement. The cost of
28 the insurance shall be apportioned in the manner specified in the
29 joint insurance agreement. The board may purchase insurance under

1 this section only from an insurer authorized to do business in the
2 state or from an unauthorized insurer if the insurance is placed
3 through a licensed surplus lines broker.

4 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
5 arrangement shall establish a joint insurance fund. The fund consists
6 of money

7 (1) contributed by members of the joint insurance arrange-
8 ment through budgetary appropriations or transfers from a self-insur-
9 ance reserve;

10 (2) contributed by officers and employees of members of the
11 joint insurance arrangement under an employee benefit plan; and

12 (3) collected by the joint insurance arrangement through
13 subrogation of a claim paid from the fund to a member of the arrange-
14 ment.

15 (b) An expenditure may be made from a joint insurance fund only
16 to pay claims, losses, or benefits, including interest on them, and
17 the administrative and adjustment expenses incurred in connection with
18 them, involving the types of protection for which the fund provides
19 coverage as specified in the joint insurance agreement.

20 (c) The administrator shall keep the fund separate from other
21 funds of a member of a joint insurance arrangement.

22 (d) For each type of protection offered by the joint insurance
23 arrangement, the method of accounting must show the order, source,
24 date, and amount of each payment from the fund.

25 (e) Within 60 days of the end of the fiscal year, the adminis-
26 trator shall furnish a detailed report of the operation and condition
27 of the fund to the board of directors and the director of insurance.
28 The report furnished to the director of insurance shall be available
29 for public inspection.

1 (f) Money held by a fund as reserves and money not needed for
2 daily operations may be invested by the board of directors.

3 (b) A fund may not be terminated unless the administrator certi-
4 fies that an amount of money sufficient to pay accrued and contingent
5 expenditures has been placed in a fully collateralized escrow account.

6 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
7 shall file a copy of the cooperative agreement with the director of
8 insurance at least 60 days before the effective date of the agreement.
9 The agreement shall be available for public inspection.

10 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
11 thorize the board of directors to adopt regulations not inconsistent
12 with law for the fair and equitable administration of the joint insur-
13 ance arrangement and the joint insurance fund.

14 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
15 a cause of action for reimbursement of money paid to a participating
16 member for a loss or injury if the participating member recovers money
17 for the loss or injury from a third party. The joint insurance ar-
18 rangement also has a direct cause of action for reimbursement against
19 a third party responsible for loss or injuries sustained by a partic-
20 ipating member if the joint arrangement has paid money to the partic-
21 ipating member for the loss or injuries.

22 Sec. 21.76.900. DEFINITIONS. In this chapter

23 (1) "adjustment expenses" means expenses for investigative,
24 processing, legal, actuarial, arbitration, and settlement services
25 incurred in the adjustment of losses, claims, or benefits;

26 (2) "administrator" means a person or group appointed by
27 the board of directors to administer a joint insurance arrangement or
28 a joint insurance fund;

29 (3) "board" or "board of directors" means the board of

1 directors provided for in a cooperative agreement;

2 (4) "cooperative agreement" means a written agreement
3 entered into by two or more entities described in AS 21.76.010 for the
4 purpose of establishing, operating, or participating in a joint insur-
5 ance arrangement;

6 (5) "fund" or "joint insurance fund" means a fund estab-
7 lished under AS 21.76.080;

8 (6) "joint insurance arrangement" means a joint insurance
9 arrangement authorized under AS 21.76.010.

10 * Sec. 2. AS 21.39.155(a) is amended to read:

11 (a) The director may require carriers, except a reciprocal
12 insurer formed by and insuring only a group of municipalities or
13 nonprofit public utilities under AS 21.75 or a joint insurance ar-
14 angement formed under AS 21.76, as a condition of writing a line of
15 insurance dealing with workers' compensation, to participate in an
16 assigned risk pool if the director finds that mandatory carrier part-
17 icipation is in the public interest.

18 * Sec. 3. AS 21.80.130(5) is amended to read:

19 (5) "insolvent insurer" means an insurer

20 (A) authorized to transact insurance in this state,
21 except an assessable reciprocal insurer formed by and insuring
22 only municipalities or nonprofit public utilities, a joint insur-
23 ance arrangement formed under AS 21.76, the Medical Indemnity
24 Corporation of Alaska, and the Health Care Providers Joint Under-
25 writing Association established under AS 21.88, either at the
26 time the policy was issued or when the insured event occurred,
27 and

28 (B) determined to be insolvent by a court of competent
29 jurisdiction;

1 * Sec. 4. AS 21.80.180(6) is amended to read:
2 (6) "member insurer" means a person, except an assessable
3 reciprocal insurer formed by and insuring only municipalities or
4 nonprofit public utilities, a joint insurance arrangement formed under
5 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
6 Care Providers Joint Underwriting Association established under
7 AS 21.88, who
8 (A) writes any kind of insurance to which this chapter
9 applies under AS 21.80.020 including the exchange of reciprocal
10 or interinsurance contracts, and
11 (B) is licensed to transact insurance in this state;
12 * Sec. 5. AS 21.36.190 is repealed.
13 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

FISCAL NOTE

Revision Date: 9-3-86

REQUEST

FISCAL DETAIL

Bill/Resolution No.: SSHB 506 (L&C)
 Title: Relative to insurance

Agency Affected: Commerce & Economic Development
 BRU: Insurance

Sponsor: House Labor & Commerce
 Requester: _____
 Date of Request: _____

Components: Public Protection

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary.

To the extent businesses, groups and municipalities avail themselves to this bill, premium tax receipts (generally 3%) will be reduced. 1985 tax totalled \$22.4 million.

Prepared by: John L. George, Director
 Division: Division of Insurance

Phone: 465-2515
 Date: _____

Approved by Commissioner: _____
 Agency: Commerce and Economic Development

Date: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907-465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 13, 1986

SUBJECT: Sectional Analysis
(SSHB 506)

TO: Representative Robin Taylor

FROM: Terri Lauterbach *TL*
Assistant Revisor of Statutes

Section 1 is based on a New York proposal and authorizes joint insurance arrangements as follows:

Sec. 21.76.010. Authorizes the entities specified to either jointly self-insure or to jointly purchase insurance as a group.

Sec. 21.76.020. Exempts joint insurance arrangements from regulation by division of insurance.

Sec. 21.76.030. Specifies that an agreement to form a joint insurance arrangement must include certain minimum provisions.

Sec. 21.76.040. Requires joint insurance agreements to contain certain financial provisions related to audits and accounting procedures.

Sec. 21.76.050. Allows a joint insurance arrangement to allow its board of directors to contract for administering the arrangement or any services that are part of the arrangement. This allows for an attorney-in-fact similar to current reciprocals (AS 21.75).

Sec. 21.76.060. Allows delegation of power to settle claims.

Sec. 21.76.070. Allows purchase of catastrophic insurance on behalf of the joint insurance arrangement.

Sec. 21.76.080. Requires the joint insurance arrangement to establish a fund made up of money contributed by members. Restricts use of the fund and requires reports about its use.

Sec. 21.76.090. Requires filing of the agreement.

Sec. 21.76.100. Authorizes the board of directors of an arrangement to adopt regulations.

Sec. 21.76.110. Provides subrogation rights to the arrangement.

Sec. 21.76.900. Defines terms used in the chapter.

Section 2 of the draft represents the draft on reinsurance put together by the division of insurance.

Sec. 21.79.010. Establishes a reinsurance fund and specifies its uses.

Sec. 21.79.020. Provides for hearings on availability and rate structures of certain types of insurance.

Sec. 21.79.030. Requires director of insurance to make determination based on hearings; determination triggers next section.

Sec. 21.79.040. Allows director to assist development of joint underwriting associations. Allows director to modify certain provisions in AS 21.75 with respect to these JUA's.

Sec. 21.79.050. Allows state reinsurance for JUA's formed under preceding section.

Sec. 21.79.060. Allows director to contract for administration of programs under AS 21.79.

Sec. 21.79.100. Specifies that programs under the chapter must be operated with various factors in mind, including promotion of safety and experience-based rates.

Sec. 21.79.110. Allows actions by the Attorney General to recover unpaid reinsurance premiums due the state.

Representative Robin Taylor
Page 3
February 13, 1986

Sec. 21.79.200. Requires director to periodically review the JUA and reinsurance programs operating under the chapter and to recommend to the legislature any changes that would make the programs more effectively achieve their purposes.

Sections 3, 4, and 5 exempt joint insurance arrangements from certain statutes that already exempt municipal reciprocal insurers.

Section 6 requires a report from the commissioner of commerce and economic development.

Section 7 repeals a law that currently prohibits the formation of groups that comprise a group only for the purpose of insurance.

TL:mkr
M3:031



KETCHIKAN GATEWAY BOROUGH

344 Front Street
Ketchikan, Alaska 99901

April 1, 1986

Rep. M. Mike Miller, Chairman
House Judiciary Committee
State of Alaska
P.O. Box V
Juneau, Alaska 99811

RE: CSHB 506: Insurance Pooling for Municipalities

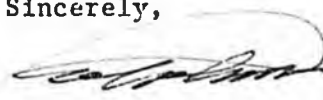
Dear Representative Miller:

I would like you to know of our support for CSHB 506, providing for insurance pooling for municipalities. We see this as an important piece of legislation providing options to municipalities which may improve opportunities to obtain municipal insurance.

The nationwide problem of finding insurance coverage is being felt in the Ketchikan Gateway Borough, as in many other Alaskan municipalities. While pooling alone will not solve municipal insurance problems, it will add options which are not currently available.

We urge you to pass this important legislation. If we can be of assistance in support of CSHB 506, please do not hesitate to call Borough Manager David Crow or myself.

Sincerely,



Ralph C. Gregory
Mayor

jw/3/131

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Mike Miller, Chairman
Members of the House Judiciary Committee

From: Scott A. Burgess, Executive Director

Date: March 26, 1986

Subject: CSHB 506 - Insurance Pooling

The Alaska Municipal League, representing 116 direct member municipalities, strongly supports legislation (CSHB 506) that would enable municipalities to pool their insurance costs, and losses. Currently, municipal insurance pools, sponsored by state municipal leagues, are operating in 23 states. Never has any municipal insurance pool gone into default. Never has any municipal insurance pool been unable to pay a claim. All have been very successful.

Municipal insurance pooling lowers costs, and increases availability of insurance to municipalities. Pools offer municipalities a chance to pay premiums based solely upon loss history. In addition, municipalities in an insurance pool can recoup a portion of that premium through a year-end dividend payment, based upon their success at controlling losses. Under a pool, the availability of insurance to municipalities would no longer be subject to the cycles of the general insurance market.

If legislation allowing the formation of a municipal insurance pool were passed, the AML would most likely obtain reinsurance from the National League of Cities, which will begin offering reinsurance on May 1 of this year through a reinsurance pool supported by the 23 state municipal league pools currently in operation. In addition, several other reinsurance opportunities would be available to an Alaska Municipal League insurance pool, due to the success, and past performance, of the League's current insurance program. Though not a pool, the League currently sponsors a program which is providing insurance to over 80 municipalities and school districts in the State for worker's compensation, general liability, business auto, and errors and omissions coverage for law enforcement, public officials, and school board members.

The Alaska Municipal League urges you to pass CSHB 506.

Thank you for your consideration of this important issue. If the League may be of further assistance in any way, please call. Attached, please find a listing of state municipal league insurance pools currently in operation, a listing of Alaska municipalities and school districts currently obtaining their insurance through the Alaska Municipal League, testimony presented to the House Labor and Commerce Committee on behalf of AML member municipalities, a copy of the AML resolution on the insurance crisis facing the State of Alaska, and a sample survey of insurance rate increases for Alaska municipalities.



National League of Cities
 1301 Pennsylvania Avenue NW
 Washington, D.C. 20004
 (202) 626-3000
 Cable: NLCITIES

Officers
President
 George V. Voinovich
 Mayor, Cleveland, Ohio
First Vice President
 Carol Bellamy
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 Henry G. Cisneros
 Mayor, San Antonio, Texas
Immediate Past President
 George Lattimer
 Mayor, St. Paul, Minnesota
Executive Director
 Alan Zeas

GROUP SELF-INSURANCE POOLS
 SPONSORED BY STATE MUNICIPAL LEAGUES

<u>State</u>	<u>Type of Risk Covered</u>				
	<u>Health & Accident</u>	<u>Workers Compensation</u>	<u>Liability</u>	<u>Unemployment Compensation</u>	<u>Property</u>
Alabama		x			
Arkansas	x	x	x		
Connecticut		x	(1)		
Florida	x	x	x		
Georgia		x			
Illinois		x	x		x
Iowa		x			
Kentucky		x		x	
Louisiana (3)		x	x		
Maine	x	x	(1)	x	
Massachusetts		x(2)			
Michigan		x	x	x	x
Minnesota	x	x	x		x
New Hampshire	x			x	
New Mexico		x			
North Carolina	x	x	(1)		
Oklahoma (3)	x	x	x		
South Carolina (3)	x	x			
Tennessee	x	x	x		
Texas		x	x		
Utah	x	(1)			x
Vermont		(1)		x	
Virginia		x			

- (1) Pool being developed (as of 8/85)
 (2) Fronted safety group program rather than pure pool
 (3) Not participating in NLC/RMPSP

Prepared by: National League of Cities
 December, 1985

ALASKA MUNICIPAL LEAGUE PARTICIPANTS

ADAK REGION S/D	CITY OF HUSLIA	CITY OF OUZINKIE
CITY OF AKUTAN	CITY OF HYDABURG	CITY OF PALMER
CITY OF ALEKNAGIK	CITY OF KACHEMAK	CITY OF PORT HEIDEN
CITY OF ANVIK	KASHUNAMIUT S/D	PRIBILOF S/D
CITY OF BARROW	CITY OF KAKE	CITY OF RUBY
CITY OF BETHEL	KENAI PENINSULA BOR. & S/D	CITY OF RUSSIAN MISSION
CITY OF BREVIG MISSION	CITY OF KETCHIKAN	CITY OF ST. MARY'S
BRISTOL BAY BOR. & S/D	KETCHIKAN GATEWAY BOR. & S/D	CITY OF ST. MICHAEL
CHATHAM S/D	CITY OF KIANA	CITY OF ST. PAUL
CITY OF CHIGNIK	KING COVE S/D	CITY OF SAND POINT
CITY OF COLD BAY	CITY OF KING COVE	SAND POINT CITY S/D
COPPER RIVER S/D	CITY OF KLAWOCK	CITY OF SAVOONGA
CITY OF CORDOVA	KLAWOCK CITY S/D	CITY OF SAXMAN
CITY OF CRAIG	CITY OF KOBUK	CITY OF SEWARD
CRAIG CITY S/D	CITY OF KOTZEBUE	CITY OF SHISHMAREF
CITY OF DILLINGHAM	LAKE & PENINSULA S/D	CITY OF SKAGWAY & S/D
CITY OF EAGLE	CITY OF LARSEN BAY	SOUTHWEST REGION S/D
CITY OF EMMONAK	CITY OF LOWER KALSKAG	CITY OF TELLER
CITY OF FORT YUKON	MATANUSKA SUSITNA BOR. & S/D	CITY OF THORNE BAY
CITY OF GALENA	CITY OF MCGRATH	CITY OF TOKSOOK BAY
CITY OF GAMBELL	CITY OF NENANA	CITY OF UNALASKA
CITY OF GOLOVIN	CITY OF NEWHALEN	CITY OF WALES
HAINES BOROUGH & S/D	CITY OF NIKOLAI	CITY OF WASILLA
CITY OF HAINES	CITY OF NOORVIK	CITY OF WHITTIER
CITY OF HOONAH	CITY OF NUIQSUT	CITY OF YAKUTAT
CITY OF HOOPER BAY	CITY OF NUNAPITCHUK	YUPIIT S/D
CITY OF HOUSTON	CITY OF OLD HARBOR	

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Mike Navarre, Chairman
Members of the House Labor and Commerce Committee

From: Scott A. Burgess, Executive Director

Date: February 17, 1986

Subject: Legislation Addressing The Insurance Problem

On behalf of the Alaska Municipal League, thank you and all the members of the 14th Legislature for recognizing that an insurance crisis exists, and for taking on, what has already proven itself to be, a difficult issue. The League, on behalf of the 116 municipalities it represents, directly, and all local governments in Alaska, offers its assistance in finding short-term and long-term solutions.

Attached is a copy of an AML resolution on the insurance and tort reform issue from the 1986 Policy Statement which was sent to you at the beginning of the year. Also, the following policy appears on page 8 of the Statement:

F. TORT REFORM

The League urges the Legislature to review tort reform and to work for a viable municipal insurance system.

These policies came out of the discussions and actions at the annual conference in Fairbanks. The Board of Directors chose finding solutions to the availability and affordability of insurance for municipalities as one of its top four legislative priorities for this year. While the League has been working for several years to assist municipalities with their insurance needs, it has been unable to address and fully understand the current crisis.

The League is in support of legislation allowing municipalities to create a self-insured risk pool. The current statutes allowing for municipalities to form reciprocals is unnecessarily burdensome and expensive. It requires municipalities to essentially create an insurance company rather than contracting with existing insurance and financial agencies; requires a heavy surplus deposit over and above the current high premiums; and, is subject to unnecessary regulation by the Division of Insurance.

The League is already helping municipalities with their insurance needs. The League has pursued setting up a self-insurance pool program for several years but have been thwarted by interpretations of existing law, and our attempts to change it. The League has a group insurance program which is providing insurance coverage to over 70 municipalities for workers compensation, general liability, business auto, and errors and

omissions coverage for law enforcement, public officials, and school board members. However, because of the market and our inability to pool, we are unable to improve the program and offer the coverage desired.

The League has not been able to research the current tort reform issue well enough to commit to supporting all the recommended changes to the Statutes, or to make the direct connection between tort reform and the current insurance problem. Like you, local elected officials are equally concerned for both today's plaintiff and tomorrow's taxpayer. The Board of Directors is unsure whether the fault for the current insurance problems rest with a reckless society, the insurance industry, the justice system or State laws, or a combination of all. Therefore, the League is asking the Legislature for help to analyze the problem and develop reasonable solutions. Tort reform should be evaluated on whether it is good policy, and on the long term effects, not just as a possible solution to the current problem.

There is a problem. Municipalities, and others who will appear before you, are unable to obtain or afford insurance to protect themselves, their investments, and the public. The problem faced by municipalities is unique. Municipalities are regarded as high risk clients by insurance companies because they have a greater potential for being sued; therefore, they have, historically, been victims of paying higher premiums. This, itself, is not unique because the same applies to doctors. However, the fact that municipalities are in the business of providing high risk public services, such as fire and police, that they cannot stop providing just because of the cost or risk, is unique to municipalities. Secondly, municipalities are the victims of the "deep pocket" theory. Municipalities are named in suits, directly or indirectly, regardless of the degree of fault because there is a perceived unlimited ability to pay. A claim is not limited by the amount of insurance coverage but by assets, and juries perceive that municipalities need only raise taxes to pay the claim.

The League is currently collecting information through a survey of its 116 members on their recent insurance experiences. The survey is not complete; however, attached is the information from the communities that have responded to date. Also included is information from other municipalities in the AML Insurance Program, provided by our broker Frank B. Hall & Co. of Alaska.

Several bills are before the Legislature attempting to address the insurance problem in Alaska. We support the concept of allowing municipalities to form self-insured risk pools. An AML Legislative Subcommittee has reviewed the bills introduced this session and before your committee, and has no problem with the tort reform measures most completely covered in HB 532. However, the Subcommittee and the staff will follow the hearings and your deliberations closely to better understand all concerned before recommending any specific bill. The League, of course, is available to help you in any way we can to find short and long term solutions to the insurance problems faced by municipalities and others.

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 86-13

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE
URGING THE STATE LEGISLATURE TO INVESTIGATE
TORT REFORM AND THE REASONS BEHIND THE
UNAVAILABILITY OF CERTAIN LINES OF INSURANCE.

WHEREAS, insurance rates have increased astronomically and this has caused businesses to close and has created a financial burden on taxpayers in Alaska, and


WHEREAS, municipal insurance rates have increased as much as 500% in some areas, and

WHEREAS, day care operators, air carriers, truckers, contractors, CHAPP-affiliated businesses, doctors, and architects are in many cases unable to obtain any insurance, and

WHEREAS, the Alaska Municipal League feels strongly that an investigation into causes should be made and a solution to this problem must be found this year;


NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that the Office of the Governor and the Alaska State Legislature are urged to immediately pursue all avenues available to solve this problem and find a way to provide insurance in Alaska.

Adopted this 16th day of November 1985.



LEO B. RASMUSSEN, President

ATTEST:



SCOTT A. BURGESS, Executive Director

<u>MUNICIPALITY</u>	<u>LAST YEAR PREMIUM/COVERAGE</u>	<u>THIS YEAR PREMIUM/COVERAGE</u>	<u>% of budget</u>	<u>JOIN/SUPPORT POOLING</u>
ALAKANUK	UNINSURED	UNINSURED	4%	YES
ALEKNAGIK	\$ 4,500	\$15,000	13%	MAYBE
BARROW	\$ 4,100/\$ 1 million	\$10,000/\$500,000		
BETHEL	\$350,000	\$600,000	10%	YES
CORDOVA	\$ 21,000/\$ 1 million	\$ 31,850/\$500,000		
EAGLE	\$ 3,365/\$500,000	\$ 8,739/\$500,000	6%	YES
FAIRBANKS	\$212,876/\$20 million	\$514,167/\$5 million	2.5%	NO
GALENA	REPEATED CANCELLATIONS/PREMIUMS UP 200%		5%	MAYBE
GAMBELL	\$ 19,300/\$1 million	\$ 15,617/\$500,000		
HAINES BOROUGH	\$ 25,000	\$ 34,797	3.5%	NO
HOONAH	\$ 6,484/\$1 million	\$ 11,640/\$500,000		
HOUSTON	\$ 23,906	37,444	16%	MAYBE
JUNEAU	\$518,000	\$1,253,900	2%	YES
KAKE	\$ 10,617/\$1 million	\$ 7,080/\$500,000		
KENAI	\$ 85,000/\$10 million	\$320,000/\$10 million		NO
KODIAK	\$ 90,083/\$500,000	\$155,725/\$500,000	5%	YES
KOTZEBUE	\$140,000	\$280,000	5%	YES
LOWER KALSKAG	\$ 2,500/\$1 million	\$ 5,000/\$500,000		
McGRATH	\$ 13,596	\$ 41,063	7.5%	YES
NULATO	\$ 4,500/\$500,000	\$ 12,000/\$500,000	5%	YES
PALMER	\$138,000/\$10 million	\$219,000/\$1.5 million		YES
PELICAN	\$ 7,457/\$500,000	\$ 15,908/\$300,000	11.5%	YES
RUSSIAN MISSION	\$ 2,580/\$1 million	\$ 5,000/\$500,000		
St. MARY'S	\$ 4,200/\$1 million	\$ 5,000/\$500,000	10%	YES
SAND POINT	\$ 45,000	\$ 80,000	9%	YES
SITKA	\$ 53,753/\$10 million	\$131,628/\$5 million	3%	YES
SKAGWAY	\$ 31,883/\$1 million	\$ 55,806/\$ 1 million	6%	MAYBE
SOLDOTNA	\$110,000/\$10 million	\$270,000/\$10 million	6%	YES
TENAKEE SPRINGS	\$ 13,670	\$ 42,000	16%	YES
UNALASKA	\$131,124/\$14 million	\$ 99,468/\$4 million	10%	YES
WALES	\$ 11,663	UNINSURED		YES
WASILLA	\$ 11,000/\$6 million	\$19,000/\$1.5 million	2%	MAYBE

** ALL INFORMATION COMPILED BY THE ALASKA MUNICIPAL LEAGUE BY SURVEY. BACK-UP IS AVAILABLE THROUGH THE AML 105 Municipal Way, Suite 301, Juneau, Alaska 99801

Alaska Independent Insurance Agents & Brokers, Inc.

SEND REPLY TO:



Dianne M. Leighton
A.I.I.A.B.
P.O. Box 775303
Eagle River, AK 99577

March 20, 1986

Rep. M. Mike Miller, Ch.
House Judiciary Committee
Pouch V
Juneau, AK 99811

RE: CSHB 506, referred to Jud. 3/20/86

Dear Representative Miller:

We are pleased to see that the Labor & Commerce committee has split this HB in to two sections and offerd a substitute. They have left one detail up to your committee , however.

We are concerned that this pooling arrangement would appear to not be regulated by any entity other that a board of directors.

As we understand it, this arrangement would not be subject to regulation by the director of insurance nor the federal McCarran-Ferguson Act.

While we are confident today that the administrators would be responsible, it is very possible that in a period of time the administration would change. It is a pooling for insurance purposes and we feel that there should be some type of review by the Division of Insurance.

Also, we cannot seem to find any provision for insolvency of the pool ie, if there comes a time when there is not enough money to pay the claims, and the public entities cannot raise enough money due to fixed budgets, who provides the additional funds?

We are concerned that the state will end up bailing out the pool and wonder if there should be some wording in the bill to clarify this.

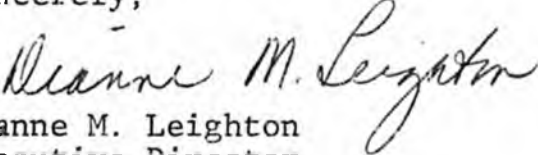
Those are some of our major concerns. There are others but clearly this seems to be a reasonable way to handle the short term insurance crisis.

The long term aid will of course be the tort reform package aka HB 532 including all substitutes.

Because the HB 506 is short term, should there be a sunset clause on the end - say three years?

This is more of a one-sided discussion to simply raise a few questions before your committee takes action.

Sincerely,


Dianne M. Leighton
Executive Director

cc: Committee members

ASSOCIATION OF ALASKA SCHOOL BOARDS

326 Fourth St. Suite 510 • Juneau, Alaska 99801 • (907) 586-1083

TESTIMONY

of

Robert C. Greene
Executive Director
Association of Alaska School Boards

The Association of Alaska School Board would like to state its support for HB 506, which would allow school districts to pool contributions and assume risks from losses on a group basis through a Joint Insurance Arrangement.

It appears that the present restrictive insurance market will continue as insurance companies attempt to write the better risks at a price designed to replace lost surplus and to attain financial stability. Insurance availability to school districts has been severely curtailed and coverage has been narrowed as the marketplace continues to harden. The result has created a hardship for school districts not only in their ability to adequately provide coverage, but in their attempt to budget for unanticipated increases in insurance premiums.

Many municipalities and school districts country-wide are implementing pooling programs as an alternative to the lack of affordable insurance available in the present insurance market. Prior to the current market restrictions, many school districts used group insurance purchasing as an alternative to pooling. This was attempted by the school districts in Alaska last July; however, due to the restrictive insurance market conditions, group purchase was not successful.

In a pooling program, losses are shared to some extent among participants. The advantage that pooling has over a group purchase program is the pool's collective ability to support a higher deductible (or self-insured retention) than any single member can afford.

The lower levels of insurance are the most expensive and require greater capacity from an insurance company than the higher levels. A pooling program can eliminate these expensive insurance layers and open up capacity from the insurance market. Such a program can also provide better stability in terms of cost of insurance to participants.

Attached is a summary of some information we have collected recently regarding the increased rates experienced by some school districts from 1984-85 to 1985-86. While the list represents slightly less than half of the state's school districts, we feel that this information can provide some insight into the impact that the insurance market is having on school districts.

The Association of Alaska School Boards appreciates the attention being given to school districts's insurance problems by the Alaska State Legislature and would encourage the Labor and Commerce Committee to view HB 506 favorably.

ASSOCIATION OF ALASKA SCHOOL BOARDS
 SURVEY OF ALASKA SCHOOL DISTRICTS
 INCREASE IN INSURANCE COSTS

1984-85 to 1985-86

SCHOOL DISTRICT	1984-85	1985-86	COMMENTS
Aleutian Region	\$ 39,319	\$ 101,234	*
Anchorage	414,652	1,582,280	Property/Casualty 85-86 Increased SIR
Bering Strait	348,842	896,708	
Bristol Bay	114,471	185,441	85-86 projected for Dec. 31 renewal
Chatham	30,628	44,000	*
Chugach	19,148	46,769	*
Copper River	96,045	197,583	See attached sample survey response
Cordova	28,020	23,344	85-86 may receive later adjustment
Delta/Greely	45,788	94,578	Property only
Galena	69,993	80,000	
Haines	26,078	36,161	
Hoonah	37,258	84,211	
Ketchikan	547,165	560,000	Insured through the Borough
Lake and Peninsula	203,353	314,516	
Matanuska/Susitna	474,461	923,185	
Railbelt	367,733	151,614	**
St. Mary's	66,963	139,196	**
Sitka	119,392	118,970	85-86 Increased deductibles
Valdez	Estimated rates for 85-86 would have been 85% to 150% higher if same coverages had been secured. However, types of coverage changed dramatically and comparisons wouldn't be logical.		
Wrangell	15,784	16,488	*
Yukon-Koyukuk	110,000	240,000	

* 1985-86 figure doesn't include all coverages that were carried in 1984-85

** Some coverage hasn't been billed for 85-86 so final costs will be higher