

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: CSB 288  
 Title: Liquor License Holder's Insurance  
 Sponsor: Josephson  
 Requestor: Senate Labor & Comm.  
 Date of Request: 5/1/85

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.  
 Program Category Affected: Consumer Protection  
 BRU, Program or Subprogram(s) Affected: Division of Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS		5,100.0				
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		5,100.0				

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		5,100.0				
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		5,100.0				

POSITIONS:

FULL-TIME		0				
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: John George, Director  
 Division: Insurance  
 Approved by Commissioner: Loren H. Lounsbury  
 Agency: Commerce and Economic Development

Phone: 465-2515  
 Date: 5/1/85  
 Date: 5/1/85

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

## TESTIMONY

CS for SB 288 in concept provides a limited solution to an insurance availability problem for liquor license holders. The concept is favored by the Administration as well as many diverse special interest groups.

It is unfortunate that as we near the end of the session this bill is first being heard. In an April 19 memo to the Legislative Affairs Agency, the Attorney General's Office gave a full page of recommended changes which have not been addressed in the committee substitute. More importantly, they raised the question of the applicability of this bill to the various types of licenses, i.e., caterers, special events, etc., and the extent of "operations liability" to be covered by this insurer. Conceivably, the licensed premises could be an airplane, boat or hunting camp. Is it proposed that all liability be covered? We all think of bars and their liability, but we must consider the multiplicity of operations.

SB 228 provided for initial capitalization of \$10 million. The primary change in the committee substitute is the reduction of capitalization to \$5 million. I have grave doubts that this lower capitalization will provide enough stability to assure the success of the company. Thin financial basis will cause the actuarial premium rates to be increased so that any possible error will be on the high side. Any losses and costs that exceed the premiums charged will erode the capitalization below the minimum required in order to offer the statutory limits.

If \$10 million is provided, rates can be somewhat lower since a small cushion of surplus is available. If reinsurance were available, this issue would be important but not nearly as critical. In my opinion, no reinsurance is currently available for liquor liability.

We have very little knowledge at this point of the probable losses of this insurer. We do not currently know what premiums will be charged.

This bill becomes effective on a date of an appropriation, yet the insurer will take some time getting off the ground. Will liquor licenses be revoked at once for not having the mandatory insurance? You must consider parts of this bill becoming effective when insurance is certified to be available. Provisions of the bill provide for liquidation in the event of insolvency or if premiums would be unreasonably high, yet no provision waves the requirement to insure for the licensees. Will they lose their license if the company folds?

Insurance companies formed in haste will not have the full benefit of review and oversight. If you pass this bill, I will do my best to make it work, but I urge you to at least provide 10 million in initial capitalization to give it a fair chance. I also hope that legislative intent will reflect that when and if we find that this bill has not provided for every detail, that we have certain leeway to apply reasonable judgment in order to carry out the basic intent of this bill.

If you instruct my office, the ABC Board, the Department of Revenue and other agencies to carry out the spirit of this act until you reconvene next January, any omissions or oversights can be overcome. By the second session of this Legislature, we will know if changes will be required.

JG/wfs2266W5185a