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**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST page 1 of 2

FISCAL DETAIL

Bill/Resolution No.: CSSSHB 506 (Jud)
 Title: Relating to joint insurance arrangements

Agency Affected: Commerce & Economic Development
 BRU: Insurance

Sponsor: Judiciary
 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-
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REVENUE	-?-	-?-	-?-	-?-	-?-	-?-
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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.

CSSSHB 506 (Jud) may have impact beyond the loss of premium tax revenue. To the extent that pools, which are not financially sound, replace insurance, we may find significant losses going uncompensated. AS 21.75 currently provides for the pooling concept through formation of a financially regulated reciprocal insurance company. Proponents of this

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

Phone: 465-2515
 Date: April 22, 1986

Approved by Commissioner: [Signature]
 Agency: Commerce and Economic Development

Date: April 22, 1986

Distribution (by Agency preparing fiscal note):

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSSHB 506 (Jud)

page 2 of 2

legislation do not feel that they should be forced to meet these minimal financial requirements.

To the extent that private enterprise wants to risk their own money on a pool venture after their own highly qualified staff has fully reviewed the ramifications, I have little opposition to the formation of a pool for first party coverage. This legislation does not restrict the types of coverage to be written to first party only. The concern is, will third party claimants be adequately protected. The parties currently looking at this legislation as a vehicle to replace insurance are relying on a consultant whose financial interest is not dependent on the soundness of the pool's financial basis or stability.

I fear that if a municipal or school district (REAA) pool is unable to pay claims, the state may be looked to for a bailout. In the case of the REAA schools, insurance covers state property on loan to the districts. If the pool becomes insolvent, no funds will be available to replace the state-owned facility in the event of loss. In this case I am sure the state would be put in a position where they must replace the school using general fund monies.

A well conceived self disciplined pool will set internal standards for itself which meet or exceed our minimum requirements. If no restraints are placed on pools and if the state is in a position of last recourse for funds we may be financially impacted by future pool insolvencies.

The pure premium tax impact will vary as premium levels change and pools are formed. The tax impact is certainly less than \$5 million and my best guess is a \$1 - \$3 million impact if the pool concept is utilized by a significant segment of eligible entities.

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 9-3-86

REQUEST

Bill/Resolution No.: CSSHB 506 (Jud)
 Title: Relating to insurance

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

FISCAL DETAIL

Agency Affected: Commerce & Economic Development
 BRU: Insurance

 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-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

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

POSITIONS:

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
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

 Approved by Commissioner: _____
 Agency: Commerce and Economic Development

Phone: 465-2515
 Date: _____
 Date: _____

Distribution (by Agency preparing fiscal note):

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

KENNELLY, AZAR & DONOHUE, P. C.

A PROFESSIONAL CORPORATION

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April 29, 1986

Sen. Patrick Rodey
Alaska State Legislature
Pouch V (MS 3100)
Juneau, AK 99811

RE: Tort Reform Proposed Legislation

Dear Senator:

I previously wrote to you regarding the issue of Tort Reform. You will recall that I sent you copies of numerous newspaper articles which have been written about our client, Linda Bennett, a blind girl who was injured in an automobile accident.

I am writing to you on this occasion with reference to two bills, House Bill 506 and Senate Bill 404. Both of these bills authorize joint insurance arrangements through which participating members agree to pool contributions in order to reduce the cost of insurance coverage through purchasing on a group basis. The House Bill specifically authorizes municipalities, school districts, regional educational attendance areas and regional electrical associations and others to form such participating joint insurance arrangements. I believe that the idea behind pooling arrangements is that if municipalities throughout the state purchase insurance as a group, they can possibly get it at a lower premium. This is indeed true of other kinds of group insurance arrangements, including liability insurance. I personally have handled several cases in which individuals residing in rural areas throughout Alaska have been either killed or have been seriously injured as a result of negligent conduct by employees of municipalities, school districts and public utilities. It is the observation of both myself and my partners that the number of catastrophic injuries or deaths that occur on an annual basis involving school districts, utilities and municipalities are not great in number, but that the insurance premium charged by the insurance companies for individual policies is extremely high. That is to say that it appears that the municipalities

April 29, 1986
Page 2

are each being charged a premium for insurance which covers for all claims made on a statewide basis. It appears to us that there is an excessive amount of liability insurance sold to municipalities in similar groups in the state and that if one policy were sold to cover all of the municipalities, the premium charge for such a policy would not be appreciably higher than the individual premium of any one of the municipalities currently purchasing insurance.

In addition, these bills would permit municipalities to pool money to pay claims outright without buying insurance. This would also greatly reduce the cost of insurance to the outlying municipalities, school districts and utilities. In addition, since this is legislation which would simply provide the option and would not mandate any pooling arrangements, I cannot see any harm which would result from its passage. In short, in view of the "insurance crisis" currently affecting this type of entity, it appears that this is very favorable legislation.

It is my understanding that House Bill 506 was referred to the finance committee currently chaired by representative Al Adams of Kotzebue. It is also our understanding that the Alaska Municipal League has formally endorsed this legislation and has urged its passage, particularly for the benefit of remote communities such as Kotzebue, Nome and Barrow. I personally do not understand why these bills are being held in committees while the Tort Reform Legislation, which would greatly reduce the fair compensation paid to victims is being pushed so heavily. The so called Tort Reform will have a direct financial impact upon citizens of the State of Alaska. The pooling arrangements permitted by these two bills will not result in any losses to anyone other than the insurance companies who wish to continue collecting high insurance premiums from municipalities on an individual basis rather than allowing them to either be self insured on a group basis or purchase group insurance. Experience in the insurance industry has proven that selling coverage and spreading risks on the basis of a group, such as group medical insurance, group life insurance, fleet liability insurance for automobiles and other types of group insurance prove to be more economical. The Legislature has previously allowed the doctors to form a statewide organization to purchase liability insurance for medical malpractice on a group basis. This legislation will result in a direct

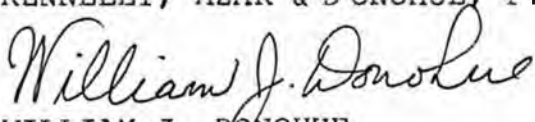
April 29, 1986
Page 3

reduction in governmental costs to the local governments, the state government and the federal government which all currently subsidize the local governments in rural areas. Operating as a group will also give the smaller entities much more bargaining power when it comes to the question of purchasing insurance and fixing the premiums. At the present time, the small school district or municipality has no bargaining power when dealing with the larger insurance companies from outside of the state. Passage of these bills will go to the heart of the problem of reducing insurance premiums rather than simply reducing the awards to the victims. Reducing the rewards to the victims simply increases the profit margin realized by the insurance companies.

In closing, I would strongly urge that the Legislature consider these two pieces of legislation as a means of partially resolving the so-called insurance crisis.

Very truly yours,

KENNELLY, AZAR & D'ONOHUE, P.C.


WILLIAM J. DONOHUE

WJD/adk

Original sponsors: Taylor, Gruenberg,
Larson, et al

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE

2 SENATE CS FOR 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) Municipalities, city and borough school districts, and
13 regional educational attendance areas may enter into cooperative
14 agreements with each other for the purpose of establishing, operating,
15 or participating in joint insurance arrangements through which the
16 participating members agree to pool contributions in order to either
17 assume risks from losses to the participants on a group basis or
18 purchase coverage for the participants 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 disability insurance, health
21 insurance, life insurance, and title insurance.

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 (d) For purposes of AS 23.30.075, a joint insurance arrangement
26 is considered to be an association duly authorized to transact work-
27 ers' compensation insurance in the state.

28 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. (a) A
29 joint insurance arrangement may not be considered insurance for the

1 purpose of any other law of the state and is not subject to regula-
2 tions of the director except as expressly provided in (b) - (d) of
3 this section and other provisions of this chapter.

4 (b) A joint insurance arrangement is subject to examination by
5 the division under AS 21.06.140 - 21.06.230.

6 (c) A joint insurance arrangement is subject to approval by the
7 director. As a condition of approval by the director, a joint insur-
8 ance arrangement shall have and maintain, as to the coverage provided,

9 (1) a certificate of excess insurance or reinsurance

10 (A) for property insurance, to the value of the single
11 most valuable property covered;

12 (B) for liability insurance, to the highest policy
13 limit provided by the arrangement;

14 (C) for workers' compensation, to the extent of all
15 benefits allowed by law above retention;

16 (2) a certificate of insurance limiting the arrangement's
17 total exposure for liability and workers' compensation to the
18 arrangement's aggregate retention;

19 (3) assets allowable under AS 21.21.020 - 21.21.140, 21.-
20 21.225, or 21.21.230 in an amount no less than the arrangement's
21 aggregate retention plus an amount considered adequate by the director
22 to cover administrative and adjustment expenses.

23 (d) The value of assets and liabilities under (c) of this sec-
24 tion shall be determined in accordance with AS 21.18.

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

28 (1) administration of the arrangement by a board of direc-
29 tors, specifying the number of members of the board and other

1 requirements necessary for the proper functioning of the board;

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

4 (3) organization of the arrangement, including a roster of
5 participating members and the names of the members of the board of
6 directors;

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

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

14 (6) the addition of new members to the arrangement or the
15 withdrawal of members from the arrangement;

16 (7) the method of apportioning costs and disposition of
17 excess contributions;

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

20 (9) terminating the arrangement and disposing of its as-
21 sets; and

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

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

28 (b) A joint insurance arrangement shall be subject to an annual
29 independent audit. The audit shall be conducted in accordance with

generally accepted auditing standards and must include a review of the actuarial assumptions used for establishing the reserves under (a) of this section. The audit report must include certification from a casualty actuary who is a member of the American Academy of Actuaries that the actuarial assumptions continue to be sound and the level of the reserves are adequate.

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

Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooperative agreement may delegate to the board of directors, or authorize delegation by the board to another person or group, the power to compromise, arbitrate, or otherwise settle claims on behalf of the arrangement.

Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may authorize the board of directors to purchase excess or catastrophic insurance on behalf of the joint insurance arrangement. The cost of the insurance shall be apportioned in the manner specified in the joint insurance agreement. The board may purchase insurance under this section only from an insurer authorized to do business in the state, except that an arrangement formed by municipalities or school districts may purchase insurance under this section from a risk-sharing pool established by a national association of similar entities if the risk-sharing pool meets the qualifications for an unauthorized insurer under AS 21.34.040(b) and (d) and 21.34.220 and has capital and policyholders surplus in an amount at least as great as would be

1 required if the association were a domestic multiple line insurer. An
2 arrangement may purchase insurance under this section for property and
3 liability risks from unauthorized insurers allowed for use by licensed
4 Alaska surplus lines brokers.

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

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

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

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

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

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

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

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

1 (1) filed in the general form and context acceptable to the
2 director;

3 (2) in accordance with accounting principles established
4 under this title; and

5 (3) available for public inspection.

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

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

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

15 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
16 thorize the board of directors to adopt rules not inconsistent with
17 law for the fair and equitable administration of the joint insurance
18 arrangement and the joint insurance fund.

19 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
20 a right of subrogation with respect to its participants to the same
21 extent that an insurer has a right of subrogation with respect to one
22 of its insureds.

23 Sec. 21.76.900. DEFINITIONS. In this chapter

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

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

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

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

(5) "fund" or "joint insurance fund" means a fund established under AS 21.76.080;

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

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

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

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

(a) The director may require carriers, except a reciprocal insurer formed by and insuring only a group of municipalities or nonprofit public utilities under AS 21.75 or a joint insurance arrangement formed under AS 21.76, as a condition of writing a line of insurance dealing with workers' compensation, to participate in an assigned risk pool if the director finds that mandatory carrier participation is in the public interest.

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

(5) "insolvent insurer" means an insurer

(A) authorized to transact insurance in this state, except an assessable reciprocal insurer formed by and insuring only municipalities or nonprofit public utilities, a joint insurance arrangement formed under AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health Care Providers Joint Underwriting Association established under AS 21.88, either at the

1 time the policy was issued or when the insured event occurred,
2 and

3 (B) determined to be insolvent by a court of competent
4 jurisdiction;

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

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

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

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

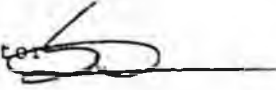
16 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Senator Pat Rodey, Chairman
Members of the Senate Judiciary Committee

From: Scott A. Burgess, Executive Director 

Date: May 5, 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.

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.

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 NCORVIK	CITY OF WHITTIER
CITY OF HOONAH	CITY OF NUIQSUT	CITY OF YAKUTAT
CITY OF HOOPER BAY	CITY OF NUNAPIITCHUK	YUPIIT S/D
CITY OF HOUSTON	CITY OF OLD HARBOR	

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, CHARP-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. ASMUSSEN, 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	\$1 ^e ,000	13%	MAYBE
BARROW	\$ 4,100/\$ 1 million	\$10,000/\$500,000		
BETHEL	\$350,000	\$600,000	10%	YES
CORDOVA	\$ 21,000/\$ 1 million	\$ 31,950/\$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



City of Petersburg
P. O. Box 329
Petersburg, Alaska 99833

April 6, 1986

Pat Rodey
Chairman of Senate Judiciary Committee
P.O. Box V
Juneau, Alaska 99811

Re: HB #506

Dear Senator Rodey:

It is my understanding that the Senate Judiciary Committee will soon begin hearings on HB #506 the Municipal Insurance Pooling legislation. The purpose of this letter is to encourage you not to allow insurance lobbyist to alter the bill, and specifically, not to drop Worker's Compensation from the bill.

Most insurance pools require Workers Compensation to make "pooling" feasible economically. Alaska has relatively few cities and needs the "economics of scale" that Worker's Compensation will bring to a "pool".

I would appreciate knowing the status of this bill as it progresses through your committee.

Very Truly,

Ed Pefferman
City Manager, Petersburg

cc: Tim Kelly
Jan Faiks
Rick Halford
Robert Ziegler

Blue Cross
of Washington and Alaska

Martin Tirador
Senior Representative
Corporate Relations



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SUGGESTED AMENDMENT TO CSSH-506 (JUD)

DELETE:

Page 1, lines 28 and 29 - All Language
Page 2, line 1 - Insurance

REPLACE WITH:

A joint insurance arrangement may be for any kind of insurance defined by this title except for

(1) life, annuity, health, disability and title insurance; and

(2) surety.

RATIONALE:

This bill is designed to fill a void left by the lack of general liability insurance. The classes of insurance suggested are readily available thus making their inclusion in the bill unnecessary.