

HB

116

HAFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 2, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/6/97

The FINANCE Committee considered:

HB 116

HOUSE BILL NO. 116

WORKERS COMPENSATION SELF-INSURANCE GROUP

"An Act relating to workers' compensation self-insurance."

recommends it be replaced
with the following committee substitute

CS HB 116 (FIN)

the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) DCED 4/25/97

Labr 4/25/97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therriault</i>	Therriault			X	
<i>John Mulder</i>	Mulder				X
<i>Terry Martin</i>	Martin				X
<i>Jim Kohring</i>	Kohring	X			
<i>J. Davies</i>	J. Davies			X	
<i>W. Moses</i>	Moses			X	
<i>G. Davis</i>	G. Davis	X			
<i>W. Kelly</i>	Kelly	X			

CO-CHAIR'S SIGNATURE

Gene Therriault
Therriault

FISCAL NOTE

Bill Version: CSHB 116(L&C)
(H) Publish Date: 4/25/97

**STATE OF ALASKA
1997 LEGISLATIVE SESSION**

Revision Date: _____ Department: Commerce and Economic Development
 Title: An Act relating to workers' compensation BRU: Insurance
self-insurance Component: Insurance
 Sponsor: Kott
 Requestor: _____ COMPONENT SERIAL NO. 324

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	72.0	36.0	37.0	37.0	38.0	38.0
TRAVEL	1.5	1.5	1.6	1.6	1.7	1.7
CONTRACTUAL	2.0	1.0	1.1	1.1	1.2	1.2
SUPPLIES	1.5	0.5	0.7	0.7	0.8	0.8
EQUIPMENT	5.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	82.0	39.0	40.4	40.4	41.7	41.7

CAPITAL EXPENDITURES

CHANGE IN REVENUES/operating	(40.0)	(47.0)	(47.0)	(47.0)	(47.0)	(47.0)
Loss in premium tax/unrestricted	(135.0)	(270.0)	(270.0)	(270.0)	(270.0)	(270.0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund	72.0	39.0	40.4	40.4	41.7	41.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
1091 Designated Program Receipts	10.0	0.0	0.0	0.0	0.0	0.0
TOTAL	82.0	39.0	40.4	40.4	41.7	41.7

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME	1					
PART-TIME		1	1	1	1	1
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Marianne K. Burke, Director Phone: 465-2515
 Division: Insurance Date: 2-24-97
 Approved by Commissioner: William L. Hensley Date: 2-25-97
 Agency: Commerce and Economic Development

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COMMITTEE COPY

HB 116 Fiscal Note Analysis

The Division of Insurance assumes that approximately 20 proposed groups will file applications for certificates of approval along with the \$500.00 filing fee. The division anticipates that proposed groups may include homebuilders/contractors, the aviation industry, liquor distributors and a host of others. Assuming that 20 applications will be filed in the first year and each of these groups need only have 5 members, we could possibly have many groups within the same industry.

The first year impact on the division will be primarily the application process. The first year would also include review and development of standard forms and wording for trust documents, the indemnity agreement, and the fidelity bond amount for the administrator and service company, the minimum aggregate excess insurance form and amount. The complexity of this work and the level of expertise needed to perform these functions would require the duties of one full time Financial Examiner II. Additionally, an Examiner II is necessary because these are domestic insurers and not foreign insurers under jurisdiction of another state.

In subsequent years, items would include the general review of financial statement filings and other requests by these groups. The security amount may be reviewed and adjusted; and the aggregate excess insurance may be adjusted. If a self insurance group becomes insolvent, additional staff time will be needed in making that evaluation and in coordinating the wrap up of the group. Termination of a certificate of approval requires review by staff to verify that obligations are taken care of and to assist in hearings if hearings are requested. The director may be called on to approve an administrative fund account of more than 30% or, conversely, approve a claim fund account of less than 70%. These duties would require the services of a permanent part time Financial Examiner II. The responsibilities for review of rates and producer licensing would not result in increase in staff.

FY98

Pers Svcs: 1 PFT Financial Examiner II, Range 21, Anchorage
Travel: Statewide 2 trips \$750 each trip
Contractual: Usual and customary costs, ie: rent, equipment contracts, risk mgmt.
Supplies: Start up supplies
Equipment: Computer, software, desk and related start up items

FY99 and subsequent years*

Pers Svcs: 1 PPT Financial Examiner II, Range 21, Anchorage
Travel: Statewide 2 trips \$750 each trip
Contractual: Usual and customary costs, ie: rent, equipment rent, risk mgmt, etc.
Supplies: Maintenance supplies

**Slight increases are due to inflation factored into costs for later years.*

Loss in Operating Revenue/Premium Tax (unrestricted)

The loss in revenue for an estimated 20 self insurance groups is \$175,000 in FY98 and \$317,000 in subsequent years. These loss amounts are calculated as follows. (Fees support operating costs and premium taxes are unrestricted revenues)

FY98	AK Domestic/Foreign	AK Self Insurance Group
Application Fee	\$2,500.00	\$500.00
Estimated Premium Tax on \$250,000 minimum premium	<u>6,750.00</u>	<u>0.00</u>
	\$9,250.00	\$500.00
 Each Subsequent Year		
Annual Continuation fee	\$2,250.00	0.00
Annual Statement filing fee	100.00	0.00
Estimated Premium Tax on \$500,000 minimum premium*	<u>13,500.00</u>	<u>0.00</u>
	\$15,850.00	0.00

FY98
 $\$6,750 \times 20 = \$135,000$ tax loss
 $\$2,000 \times 20 = \underline{40,000}$ fees loss
\$175,000

Each Subsequent Year
 $\$13,500 \times 20 = \$270,000$ tax loss
 $\$ 2,350 \times 20 = \underline{47,000}$ fees loss
\$317,000

* Per the 1995 Division of Insurance Annual Report, 156 companies are licensed to write workers' compensation insurance in Alaska. Average annual direct premium per company is \$1,141,692.00. Annual premium tax (2.7%) on this premium amount would be \$30,826.00. Substituting the estimated premium tax in the calculation above shows the tax loss for an estimated 20 self insurance groups would be :

FY98 and each subsequent year **\$616,520.00**

FISCAL NOTE

No. 2

Bill Version: CSHB 116(L&C)

(H) Publish Date: 4/25/97

**STATE OF ALASKA
1997 LEGISLATIVE SESSION**

Revision Date: _____
 Title: Workers' Compensation self-
 Insurance group
 Sponsor: Representative Kott
 Requestor: House L&C

Department Affected: Labor
 BRU: Workers' Compensation
 Component: Workers' Compensation

COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	37.4	37.4	37.4	37.4	37.4	37.4
TRAVEL						
CONTRACTUAL	6.1	1.1	1.1	1.1	1.1	1.1
SUPPLIES						
EQUIPMENT	5.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	48.5	38.5	38.5	38.5	38.5	38.5

CAPITAL						
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CHANGE IN REVENUE						
FUND SOURCE #						

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	48.5	38.5	38.5	38.5	38.5	38.5
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Interagency Receipt						
TOTAL	48.5	38.5	38.5	38.5	38.5	38.5

POSITIONS:

FULL-TIME	1					
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

This bill proposee amending AS 21 by adding chapter 47, "Workers' Compensation Self Insurance Groups".
 See attached for the impact to Workers' Compensation.

Prepared by: Paul Grossl, Director *Paul Grossl* Phone: 465-2790
 Division: Workers' Compensation Date: 2/14/97
 Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*
 Agency: Department of Labor Date: 2/14/97

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HB 116 Analysis:

The provisions of this bill apply to workers' compensation self insured groups. Under this bill the Division of Insurance would issue a certificate of approval to those persons who qualify for self-insurance coverage. Security from the self insurers would be deposited with the Division of Insurance and assigned to the Workers' Compensation Division to hold in trust, collect and transmit accruing interest to the depositor, and keep the Division of Insurance apprised of individual or group status changes within the self insured group.

A new position would be required to track all securities assigned; establish individual trust; monitor interest accrued and disbursed to the depositor; prepare form letters of status change; and keep the Division of Insurance apprised of any status changes within the self-insured groups.

One staff month of programming time will be required to develop computerized programs to interface with the Division of Insurance and to track self insurer and individual changes within each self insurance group.

Line 100 Personal Services

1 Administrative Clerk III	
Salary & Benefits	\$37.4

Line 300 Contractual Services

DP Programming (FY98 one time)	5.0
Postage	0.5
DP Operations	0.4
Printing form letters	<u>0.2</u>
	\$6.1

Line 500 Equipment

(One time set up costs)

Computer	3.5
Office Furniture	<u>1.5</u>
	5.0

Total	<u>\$48.5</u>
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POSITION INFORMATION HAS BEEN UPDATED

02/14/97

Position Information Inquiry/Update

Prior

11:52:11

Position: New Position	Project: 0	Salary:	Yr Actual	Budgeted
Comp: 07-06-07-10-01-00	Region: _	Benefits:	23,953	25,480.56
Scenario: 1	FY: 98	COLA %: 1.500	9,756	11,917.56
			Total:	33,709
				37,398.12

Actuals from Payroll (Status: FILLED) FLSA: N Retirement Code: A

A | Step: A for 12.0 months & Step: B for _0.0 months (total: 12.00)
 97/05/16 | Merit Date; use merit defaults? N (10.5 @ B & 1.5 @ C)
 2 | Class/Sched Prefix: 2 Schedule: 2A (actual: 2A)
 GG | Bargaining Unit: GG Range: 10 (actual: 10)
 EBA ? | Location Code: AWA Place: JUNEAU
 P1135 | Job Class Code: P1135 Title: ADMINISTRATIVE CLERK III_____
 F | Seasonal Indic.: F Type: FACL - FULL TIME / OMB AUTH

Optional Override Salary Rates:

Monthly Rate: 0.00___ for _0.0 months & rate of 0.00___ for _0.0 months
 Hourly Rate: 0.00___ for _0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:
 1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
 8=Detail Report 12=Exit w/o update Selection: 0_

NO OBJ 5/6/97

AMENDMENT #1

OFFERED IN THE HOUSE

TO: CSHB 116(L&C)

1 Page 5, line 30, following "group.":

2 Insert "A trustee shall observe the standards in dealing with the assets of the group
3 that would be observed by a prudent person dealing with the property of another, and, if the
4 trustee has special skills or is named trustee on the basis of representations of special skills
5 or expertise, the trustee is under a duty to use those skills."

Nb/OBj 5/6/97

AMENDMENT #2

OFFERED IN THE HOUSE

TO: CSHB 116(L&C)

- 1 Page 13, lines 27 - 30:
- 2 Delete all material.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

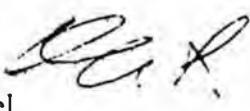
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

May 5, 1997

SUBJECT: Sectional Summary of CSHB 116(L&C)

TO: Representative Pete Kott
ATTN: George

FROM: Michael F. Ford 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adds a new chapter regarding groups that are allowed to self-insure for purposes of workers' compensation. Each section will be addressed in turn.

Sec. 21.47.010 - Provides that AS 21.47 applies only to workers' compensation self-insurance groups and not to public employees or governmental entities. Also provides that a workers' compensation group is not considered an insurer and is not subject to the insurance laws of AS 21.

Sec. 21.47.020 - Requires a certificate from the director of the division of insurance before a person can act as a self-insurance group.

Sec. 21.47.030 - Establishes the qualifications in order to become an approved self-insurance group, including a filing fee, net worth, bonding and security, and detailed information about the group's members. Requires the director to review and act on an application for a certificate of approval.

Sec. 21.47.035 - Provides that a self-insurance group is subject to the premium tax imposed under AS 21.09.210(b)(1).

Sec. 21.47.040 - Provides for issuance of a certificate of approval to provide workers' compensation benefits, and for termination and revocation of a certificate.

Representative Pete Kott

May 5, 1997

Page 2

Sec. 21.47.050 - Provides for examination of a self-insurance group by the director.

Sec. 21.47.060 - Establishes a five member board for a self-insurance group. Also specifies membership on the board, powers and duties of the board, and imposes certain limits on the board.

Sec. 21.47.070 - Establishes a method for joining a self-insurance group, provides for membership cancellation, for payment of benefits by a group after a member terminates membership, and for continuing liability of a member for incurred benefits.

Sec. 21.47.080 - Imposes restrictions on service companies who handle workers' compensation claims for a self-insured group.

Sec. 21.47.090 - Imposes licensing requirements on agents who solicit membership for a self-insurance group.

Sec. 21.47.100 - Establishes the financial reporting requirements for self-insurance groups, including form, content, and frequency of reporting.

Sec. 21.47.110 - Requires a self-insurance group to make a contribution to the second injury fund as required by AS 23.30.040.

Sec. 21.47.120 - Prohibits material misrepresentation in connection with solicitation of membership in a self-insurance group.

Sec. 21.47.130 - Provides that a self-insurance group may invest funds as allowed under AS 21.21.

Sec. 21.47.140 - Provides for regulation of premium rates and for reporting of rates, by a self-insurance group. Provides for annual audits and gives authority to the director to order an assessment for a deficiency or to order a refund to a member for excess premiums.

Sec. 21.47.150 - Provides for refunds to members, when a self-insurance group has funds in excess of the amount necessary to fund all obligations.

Sec. 21.47.160 - Provides for establishment of a plan for payment of premiums by members and for establishment of loss reserves.

Sec. 21.47.170 - Establishes a guaranty fund for workers' compensation self-insurer groups. Requires each group member make a deposit into the fund.

Sec. 21.47.180 - Provides a method for handling deficits by a self-insurance group, and for declaration of insolvency and liquidation of a group.

Representative Pete Kott

May 5, 1997

Page 3

Sec. 21.47.190 - Provides for civil penalties for a person or group who violates a provision of AS 21.47 and for revocation of a group's certificate of approval.

Sec. 21.47.200 - Provides that the director may revoke a group's certificate of approval for certain reasons, after notice and opportunity for a hearing.

Sec. 21.47.500 - Definitions.

Section 2. Provides that AS 21.80, relating to the Alaska Insurance Guaranty Association, applies to workers' compensation self-insurance groups formed under AS 21.47.

MFF:jdr:glc:lmb

97-075.lmb

LEGAL SERVICES

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STATE OF ALASKA

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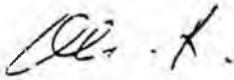
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 7, 1997

SUBJECT: Sectional Summary of HB 116. (Work Order No. 20-LS0463\A)

TO: Representative Pete Kott
ATTN: George

FROM: Michael F. Ford 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adds a new chapter regarding groups that are allowed to self-insure for purposes of workers' compensation. Each section will be addressed in turn.

Sec. 21.47.010 - Provides that AS 21.47 applies only to workers' compensation self-insurance groups and not to public employees or governmental entities. Also provides that a workers' compensation group is not considered an insurer and is not subject to the insurance laws of AS 21.

Sec. 21.47.020 - Requires a certificate from the director of the division of insurance before a person can act as a self-insurance group.

Sec. 21.47.030 - Establishes the qualifications in order to become an approved self-insurance group, including a filing fee, net worth, bonding and security, and detailed information about the group's members. Requires the director to review and act on an application for a certificate of approval.

Sec. 21.47.040 - Provides for issuance of a certificate of approval to provide workers' compensation benefits, and for termination and revocation of a certificate.

Sec. 21.47.050 - Provides for examination of a self-insurance group by the director.

Representative Pete Kott

February 7, 1997

Page 2

Sec. 21.47.060 - Establishes a five member board for a self-insurance group. Also specifies membership on the board, powers and duties of the board, and imposes certain limits on the board.

Sec. 21.47.070 - Establishes a method for joining a self-insurance group, provides for membership cancellation, for payment of benefits by a group after a member terminates membership, and for continuing liability of a member for incurred benefits.

Sec. 21.47.080 - Imposes restrictions on service companies who handle workers' compensation claims for a self-insured group.

Sec. 21.47.090 - Imposes licensing requirements on agents who solicit membership for a self-insurance group.

Sec. 21.47.100 - Establishes the financial reporting requirements for self-insurance groups, including form, content, and frequency of reporting.

Sec. 21.47.110 - Requires a self-insurance group to make a contribution to the second injury fund as required by AS 23.30.040.

Sec. 21.47.120 - Prohibits material misrepresentation in connection with solicitation of membership in a self-insurance group.

Sec. 21.47.130 - Provides that a self-insurance group may invest funds as allowed under AS 21.21.

Sec. 21.47.140 - Provides for regulation of premium rates and for reporting of rates, by a self-insurance group. Provides for annual audits and gives authority to the director to order an assessment for a deficiency or to order a refund to a member for excess premiums.

Sec. 21.47.150 - Provides for refunds to members, when a self-insurance group has funds in excess of the amount necessary to fund all obligations.

Sec. 21.47.160 - Provides for establishment of a plan for payment of premiums by members and for establishment of loss reserves.

Sec. 21.47.170 - Provides a method for handling deficits by a self-insurance group, and for declaration of insolvency and liquidation of a group.

Sec. 21.47.180 - Provides for civil penalties for a person or group who violates a provision of AS 21.47 and for revocation of a group's certificate of approval.

Representative Pete Kott

February 7, 1997

Page 3

Sec. 21.47.190 - Provides that the director may revoke a group's certificate of approval for certain reasons, after notice and opportunity for a hearing.

Sec. 21.47.500 - Definitions.

MFF:jdr:glc

97-093.jdr

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10928 Eagle River Rd. Suite 141
Eagle River, AK 99577

Session:
Alaska State Capitol
Juneau, AK 99801

HB 116 SPONSOR STATEMENT

Alaska law permits certain public entities to enter into insurance cooperative arrangements concerning worker compensation, wherein they pool contributions to assume risks from losses or to purchase insurance coverage on a group basis. Currently, this option is available only to municipalities, public corporations, school districts, and regional educational attendance areas. HB 116 would extend this option to "worker compensation self insurance groups".

A "worker compensation self-insurance group" is a not-for-profit association of five or more employers engaged in the same or similar business. The employers must be members of the same trade or professional association, which, in turn, must have been in existence for at least five years.

HB 116 contains numerous substantive and procedural requirements designed to ensure that worker compensation self-insurance groups remain fiscally sound and able to fulfill Alaska's worker compensation requirements. Among other requirements, self-insurance groups must be certified by the state, and the Director of the Division of Insurance may examine the books of such groups as often as is necessary. In addition, other express statutory provisions impose net worth, bonding, and security standards.

Small employers often are assigned a higher risk by insurance carriers. This results in higher insurance costs. By pooling their numbers, small employers would qualify for lower risk assessments and therefore lower premiums.

I commend HB 116 to you, and urge your support.

Representative Pete Kott

Juneau Office (907) 465-3777 Toll Free 1-800-861-KOTT(5688) Fax (907) 465-2819
Eagle River Office (907) 694-8944 Fax (907) 694-8945 E-Mail: representative_pete_kott@legis.state.ak.us

FEB 24 1997

ALASKA BEST PLUMBING & HEATING

1845 Caribou Way
Fairbanks, AK 99709
(907) 455-6506
FAX (907) 455-4871

2/20/97

Chair of the House
Labor and Commerce Committee

Dear Norman Rokeburg,

The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other associations in the state to self insure for worker's compensation insurance through pooling arrangements.

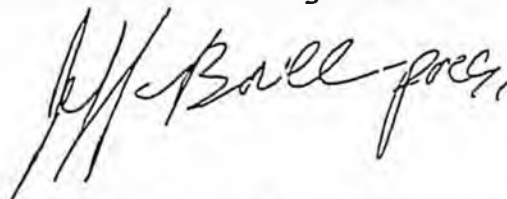
This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders associations utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous 'for profit' insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of the costs of building a new house in Alaska. The average workers compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden on both the consumer of that house and the builder of the house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new home builders. As mentioned, the worker's compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts and peer pressure.

I, and hundreds of others in the home building and other associated industries, support this legislation. I'm writing to ask that you also support it.

Thank you for your help on this issue of *critical importance* to the economic health and diversification of our great state.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Ball". The signature is written in a cursive style with a large initial "J" and "B".

ALASKA FILTRATION EQUIPMENT & SERVICES, INC.

PO BOX 533
36180 SPUR HWY. STE. B
SOLDOTNA, AK. 99669

PHONE (907)262-6778
FAX (907)262-9452

February 5, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

The Alaska State Home Builders Association has been working with the state legislature and the governor to pass legislation that will allow our association and other associations in the state to self insure for workers' compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a result, workers' compensation costs have decreased dramatically for those members of state home building associations utilizing this type of legislation. Experience has shown that when an association self insures for workers' compensation, the members of the association tend to focus on fraud and safety issues more closely than their previous for profit insurance companies, causing rates to dramatically decrease.

Workers' compensation costs are a substantial portion of the cost of building a new house in Alaska; the average workers' compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden on both the consumer and the builder of that new house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new home builders in our state. As mentioned, the workers' compensation pooling legislation we support has shown to decrease these costs through reduction in fraud, improvement in safety efforts and peer pressure.

I and hundreds of others in the home building and associated industries support this legislation. I am writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,

Dennis Day

1997

**BATIR CONSTRUCTION
P.O. BOX 2377
SOLDOTNA, AK 99669**

February 12, 1997

Representative Norman Rokenberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska

Dear Representative Rokenberg,

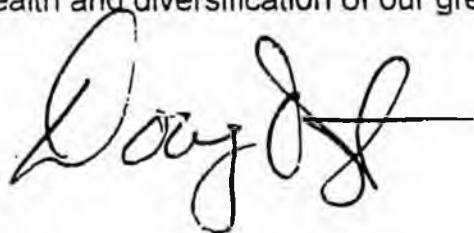
The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other association in the state to self insure for workers compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders associations utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous for profit insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of doing business in Alaska. As an example, the average workers compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. These costs places a burden on both the consumer and the builder. New housing is expensive in Alaska. anything we can do to reduce the cost will benefit both the consumer and businesses in Alaska. As mentioned, the workers compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts and peer pressure.

I and many others in non-profit associations management and other associated industries support this legislation. I'm writing to ask that you also support this legislation, Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,



Doug Baxter

BEST
TRANSIT MIX, INC.

FEB 24 1997

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

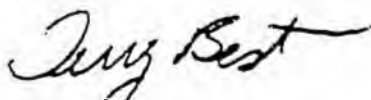
The Alaska State Home Builders Association has been working with the state legislature and the governor to pass legislation that will allow our association and other associations in the state to self insure for workers' compensation insurance through pooling arrangements.

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I and hundreds of others in the home building and associated industries support this legislation. I am writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,



Terry Best
President

770 1 1097

**BUILDERS UNLIMITED
BOX 1 BOX 122
SOLDOTNA, AK. 99669
(907) 262-7614**

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

The Alaska State Home Builders Association has been working with the state legislature and the governor to pass legislation that will allow our association and other associations in the state to self-insure for workers' compensation insurance through pooling arrangements.

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Sincerely,

*Thank You
Andy Benton*

BCI *Byford Construction Inc.*

570 2 9 1997

P.O. Box 138

Soldotna, Ak 99669

907-262-4461

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

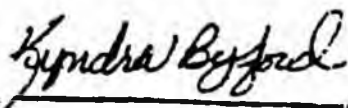
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Sincerely,



byford@akmba.net

FEB 24 1997



February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

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Sincerely,

Christophe Uhenly
President

P.O. Box 1124 • Anchorage, Alaska 99503 • (907) 276-7777 or 276-5224

779 : 7 1997



COLUMBIA PAINT AND DECORATING
35093 Spur Highway
SOLDOTNA, AK 99669

February 5, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

C & C GLASS AND MILLWORK, INC.

36180 SPUR HWY.
SOLDOTNA, AK 99669
(907) 262-9413 FAX 262-6699



February 5, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

Don Carson

DIX MASONRY, INC.

PO BOX 533
36180 SPUR HWY. STE. B
SOLDOTNA, AK. 99669

PHONE (907)262-5745
FAX (907)262-9452

February 5, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

Dennis Day

DENNY'S CONSTRUCTION

36180 SPUR HWY. STE. B
SOLDOTNA, AK. 99669

PHONE (907)262-1552
FAX (907)262-9452

February 5, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

Dennis Downs

FEB 24 1997



EAGLE LAKE
BUILDERS

Your Construction and Resident Heat Consultant

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

A handwritten signature in dark ink, appearing to read "Ray Lyman". The signature is fluid and cursive.

P.O. Box 547
Anchor Point, AK. 99558
907-235-8328



Fefelov Construction

Residential Home Builders

Box 3104

Homer, Alaska 99603

FEB 21 1997

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

PETE FEFELOV



FEB 24 1997

First National Bank
of Anchorage

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

GRIZZELL ENTERPRISES, INC.

BOX 1233

SOLDOTNA, ALASKA 99689

PHONE 282-5082

JAN 16 1997

January 9, 1997

Representative Norman Rokeberg, Chairman
House Labor & Commerce Committee
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Labor and Commerce Committee Members:

The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other association in the state to self insure for workers compensation insurance through pooling arrangements.

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Sincerely,

James C. Grizzell



P.O. Box 1316 • Soldotna, AK 99669
Phone: (907) 262-9133

February 1, 1997

FEB 0 5 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

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Sincerely,

A handwritten signature in cursive script that reads 'Shelby Johnson'.

February 1, 1997

Representative Gail Phillips, Speaker of the House
Room 208, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Phillips:

The Alaska State Home Builders Association has been working with the state legislature and the governor to pass legislation that will allow our association and other associations in the state to self insure for workers' compensation insurance through pooling arrangements.

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Sincerely,



MOERLEIN GENERAL CONTRACTING
P.O. BOX 298
KASILOF, AK 99610

February 12, 1997

Representative Norman Rokenberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska

Dear Representative Rokenberg,

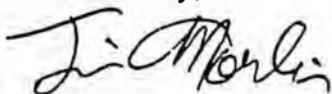
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Sincerely,



Tim Moerlein

P.O. Box 298, Kasilof, Alaska 99610 • (907) 262-3943



SEP 18 1997

STEVE RICH GENERAL CONTRACTOR

Lic. #20926
P.O. Box 4146
Soldotna, AK 99669
(907) 260-5930 Fax (907) 260-5940

Dear Representative Rokenberg,

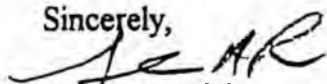
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Myself along with hundreds of others in the home building and other associated industries support this legislation. I am writing to ask that you also support this legislation, Thank you for your help on this issue of critical importance to the economic health of our great state.

Sincerely,


Steven A. Rich,

ROGER'S PAINTING SERVICES

P.O. Box 1311
SOLDOTNA, ALASKA 99669
(907) 262-0574 FAX 262-4497

FEB 7 1997

February 5, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

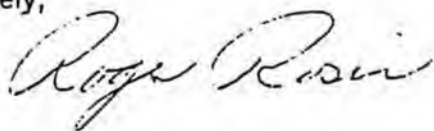
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Sincerely,





RECEIVED
JAN 30 1997

STEVE RICH GENERAL CONTRACTOR

Lic. #20926
P.O. Box 4146
Soldotna, AK 99669
(907) 260-5930 Fax (907) 260-5940

Dear Speaker Phillips;

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Sincerely,


Steven A. Rich,



TransAlaska Title

Anchorage Office
Corporate Office
400 W. Tudor Road
Anchorage, AK 99503
907-561-1844
FAX 561-1948

JANUARY 22, 1997

Eagle River Office
10928 Eagle River Road
Suite 120
Eagle River, Ak 99577
907-694-1456
FAX 694-1474

Fairbanks Office
201 First Avenue
Suite 102
Fairbanks, AK 99701
907-452-2193
FAX 456-4194

Homer Office
395 E. Pioneer Avenue
Suite 2
Homer, AK 99603
907-235-5201
FAX 235-5203

Juneau Office
2227 N. Jordan Avenue
Juneau, AK 99801
907-789-5252
FAX 789-7395

Kenai Office
130 Trading Bay Road
Suite 390
Kenai, AK 99611
907-283-7503
FAX 283-7719

Kodiak Office
326 Center Street
Suite 209
Kodiak, AK 99615
907-486-8338
FAX 486-8383

Seward Office
909 3rd Avenue, Box 469
Seward, AK 99664
907-224-5272
FAX 224-5281

Soldotna Office
176 N. Birch Avenue
Soldotna, AK 99669
907-262-5708
FAX 262-9594

* Wasilla Office
165 E. Parks Highway
Suite 101
Wasilla, AK 99654
907-376-5248
FAX 376-6010

Dear Chariman of the House (Senate) Labor and Commerce Committee:

The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other association in the state to self insure for workers compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders associations utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous for profit insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of the costs of building a new house in Alaska: the average workers compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden on both the consumer of that house and the builder of that house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new Home builders in Alaska. As mentioned, the workers compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts and peer pressure.

I and hundreds of others in the home building and other associated industries support this legislation. I'm writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,

Barbara Carr





CONSTRUCTION

February 9, 1997

Dear Representative Norman Rokeberg,

The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other associations in the state to self insure for workers compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders associations utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous for profit insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of the costs of building a new house in Alaska: the average workers compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden on both the consumer of that house and the builder of that house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new home builders in Alaska. As mentioned, the workers compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts and peer pressure.

I and hundreds of others in the home building and other associated industries support this legislation. I'm writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,

Tom Seggerman, DBA TDS Construction



THERMO-KOOL of Alaska, Inc.

6348 Quinhagak Anchorage, Alaska 99507 • (907) 563-3644 Fax (907) 561-2758

manufacturers of

MONO-THERM

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Hydro-Seeding Mulch

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A Lawn Repair System

February 20, 1997

Representative Norman Rokeberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Committee Members:

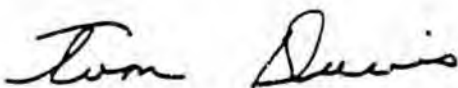
The Alaska State Home Builders Association has been working with the state legislature and the governor to pass legislation that will allow our association and other associations in the state to self insure for workers' compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a result, workers' compensation costs have decreased dramatically for those members of state home building associations utilizing this type of legislation. Experience has shown that when an association self insures for workers' compensation, the members of the association tend to focus on fraud and safety issues more closely than their previous for profit insurance companies, causing rates to dramatically decrease.

Workers' compensation costs are a substantial portion of the cost of building a new house in Alaska; the average workers' compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden on both the consumer and the builder of that new house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new home builders in our state. As mentioned, the workers' compensation pooling legislation we support has shown to decrease these costs through reduction in fraud, improvement in safety efforts and peer pressure.

I and hundreds of others in the home building and associated industries support this legislation. I am writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,



Ted Veal & Co.

539 Elderberry Dr.
Homer, AK 99603
(907) 235-7461

February 10, 1997

Representative Norman Rokeberg
Chairman of the House Labor and Commerce Committee
Room 24
State Capitol
Juneau, Ak 99801-1182


Dear Representative Rokeberg, Chairman of the House Labor & Commerce Committee
and Committee Members:

The Alaska State Home Builders Association has been working with the state legislature and the governor to pass legislation that will allow our association and other associations in the state to self insure for workers' compensation insurance through pooling agreements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a result, workers; compensation costs have decreased dramatically for those members of state home building associations utilizing this type of legislation. Experience has shown that when an association self insures for workers' compensation, the members of the association tend to focus on fraud and safety issues more closely than their previous for profit insurance companies, causing rates to dramatically decrease.

Workers' compensation costs are a substantial portion of the cost of building a new house in Alaska; the average workers' compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden on both the consumer and the builder of that new house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new home builders in our state. As mentioned, the workers' compensation pooling legislation we support has shown to decrease these costs through reduction in fraud, improvement in safety efforts and peer pressure. I and hundreds of others in the home building and associated industries support this legislation. I am writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,



Ted Veal

Wisdom & Associates

PO Box 4184
Homer, Alaska
(907) 235 6045

February 12, 1997

Representative Norman Rokenberg, Chairman House Labor & Commerce
Room 24, State Capitol
Juneau, Alaska

Dear Representative Rokenberg,

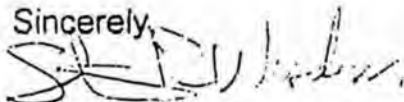
The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other association in the state to self insure for workers compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders associations utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous for profit insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of doing business in Alaska. As an example the average workers compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. These costs places a burden on both the consumer and the builder. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and businesses in Alaska. As mentioned, the workers compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts and peer pressure.

I and many others in non-profit associations management and other associated industries support this legislation. I'm writing to ask that you also support this legislation, Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,



Steven R. Wisdom

FEB 7 1997

Western Hills Construction

Specializing in Custom Homes

Dave Petersen (907) 262-5739

Dear Representative Norman Rokeberg:

The Alaska State Home Builders Association has been working with the state Legislature and governor to pass legislation that will allow our association and other associations in the state to self insure for workers compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty other states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders association utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous for profit insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of the costs of building a new house in Alaska: the average workers compensation cost for a new home in Alaska is in the area of \$4,000 to \$6,000. This cost places a burden both the consumer of that house and the builder of that house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new Home builders in Alaska. As mentioned, the workers compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts, and peer pressure.

I and hundreds of others in the home building and other associated industries support this legislation, I'm writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,

Dave Petersen



Zimco Construction

Rt. HC 3 Box 5755 ♦ Seldotna, Alaska 99669
Phone (907) 262-9832 ♦ Fax (907) 262-9832

JAN 16 1997

January 09, 1997

Representative Norman Rokeberg, Chairman
House Labor & Commerce Committee
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Rokeberg and Labor and Commerce Committee Members:

The Alaska State Home Builders Association has been working with the state legislature and governor to pass legislation that will allow our association and other association in the state to self insure for workers compensation insurance through pooling arrangements.

This type of legislation has been enacted in over forty states with fourteen of these states utilizing the pooling process. As a consequence, workers compensation costs have decreased dramatically for those members of state home builders associations utilizing this type of legislation. Experience has shown that when an association self insures for workers compensation the members of the association tend to focus on fraud and safety issues much more closely than their previous for profit insurance companies causing rates to dramatically decrease.

Workers compensation costs are a substantial portion of the costs of building a new house in Alaska; the average workers compensation cost for a new home in Alaska is in the area of \$4000.00 to \$6000.00. This cost places a burden on both the consumer of that house and the builder of that house. New housing is expensive in Alaska, anything we can do to reduce the cost will benefit both the consumer and the new home builder in Alaska. As mentioned, the workers compensation pooling legislation we support has been shown to decrease these costs through reduction in fraud, improved safety efforts and peer pressure.

I and hundreds of others in the home building and other associated industries support this legislation. I'm writing to ask that you also support this legislation. Thank you for your help on this issue of critical importance to the economic health and diversification of our great state.

Sincerely,



Marc Zimmerman
President
Zimco Construction



ALASKA MINERS ASSOCIATION, INC.

501 W. Northern Lights Blvd., Suite 203, Anchorage, Alaska 99503 FAX: (907) 278-7997 Telephone: (907) 276-0347

February 24, 1997

Honorable Pete Kott
Alaska State House of Representatives
Capitol Building
Juneau, AK 99801

RE: HB-116, Worker's Compensation Self-Insurance

Dear Representative Kott,

Thank you for the opportunity to comment on your House Bill 116. The Alaska Miners Association wishes to go on record in support of this bill and we urge its passage.

This bill will allow the AMA and other such associations in the state to self insure for worker's compensation insurance through a system of pooling. The experience in other states has been that such pooling arrangements can greatly reduce the cost of worker's compensation insurance. Currently, if a miner in a remote area transports even one employee from local village in his own aircraft, he is arbitrarily placed in a risk pool that includes a 25% surcharge. That means he must pay a set charge based on a percentage of wages, plus charges for using his own aircraft, plus other charges depending on the mine claim history, plus other factors that are not under their control.

HB-116 will place the management and oversight of the workman's compensation program with people that are here in Alaska and that are concerned about both the safety of employees and the costs. This will allow effective control and ensure that the opportunities for fraud are minimized.

Miners have no control over the prices they receive for their products. However, this bill will give them a better handle on the costs that they face and give them a better chance of being profitable.

Again, we urge passage of HB-116.

Sincerely,

Steven C. Borell, P.E.
Executive Director

FISCAL NOTE

Bill Version: CSHB 116(L&C)
(H) Publish Date: 4/25/97

**STATE OF ALASKA
1997 LEGISLATIVE SESSION**

Revision Date: _____ Department: Commerce and Economic Development
 Title: An Act relating to workers' compensation BRU: Insurance
 self-insurance Component: Insurance
 Sponsor: Kott
 Requestor: _____ COMPONENT SERIAL NO. 324

(Thousands of Dollars)

Expenditures/Revenues	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
OPERATING EXPENDITURES						
PERSONAL SERVICES	72.0	36.0	37.0	37.0	38.0	38.0
TRAVEL	1.5	1.5	1.6	1.6	1.7	1.7
CONTRACTUAL	2.0	1.0	1.1	1.1	1.2	1.2
SUPPLIES	1.5	0.5	0.7	0.7	0.8	0.8
EQUIPMENT	5.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	82.0	39.0	40.4	40.4	41.7	41.7

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES/operating	(40.0)	(47.0)	(47.0)	(47.0)	(47.0)	(47.0)
Loss in premium tax/unrestricted	(135.0)	(270.0)	(270.0)	(270.0)	(270.0)	(270.0)

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 General Fund	72.0	39.0	40.4	40.4	41.7	41.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
1091 Designated Program Receipts	10.0	0.0	0.0	0.0	0.0	0.0
TOTAL	82.0	39.0	40.4	40.4	41.7	41.7

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME	1					
PART-TIME		1	1	1	1	1
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Marianne K. Burke, Director Phone: 465-2515
 Division: Insurance Date: 2-24-97
 Approved by Commissioner: William L. Hensley Date: 2-25-97
 Agency: Commerce and Economic Development

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HB 116 Fiscal Note Analysis

The Division of Insurance assumes that approximately 20 proposed groups will file applications for certificates of approval along with the \$500.00 filing fee. The division anticipates that proposed groups may include homebuilders/contractors, the aviation industry, liquor distributors and a host of others. Assuming that 20 applications will be filed in the first year and each of these groups need only have 5 members, we could possibly have many groups within the same industry.

The first year impact on the division will be primarily the application process. The first year would also include review and development of standard forms and wording for trust documents, the indemnity agreement, and the fidelity bond amount for the administrator and service company, the minimum aggregate excess insurance form and amount. The complexity of this work and the level of expertise needed to perform these functions would require the duties of one full time Financial Examiner II. Additionally, an Examiner II is necessary because these are domestic insurers and not foreign insurers under jurisdiction of another state.

In subsequent years, items would include the general review of financial statement filings and other requests by these groups. The security amount may be reviewed and adjusted; and the aggregate excess insurance may be adjusted. If a self insurance group becomes insolvent, additional staff time will be needed in making that evaluation and in coordinating the wrap up of the group. Termination of a certificate of approval requires review by staff to verify that obligations are taken care of and to assist in hearings if hearings are requested. The director may be called on to approve an administrative fund account of more than 30% or, conversely, approve a claim fund account of less than 70%. These duties would require the services of a permanent part time Financial Examiner II. The responsibilities for review of rates and producer licensing would not result in increase in staff.

FY98

Pers Svcs: 1 PFT Financial Examiner II, Range 21, Anchorage
Travel: Statewide 2 trips \$750 each trip
Contractual: Usual and customary costs, ie: rent, equipment contracts, risk mgmt.
Supplies: Start up supplies
Equipment: Computer, software, desk and related start up items

FY99 and subsequent years*

Pers Svcs: 1 PPT Financial Examiner II, Range 21, Anchorage
Travel: Statewide 2 trips \$750 each trip
Contractual: Usual and customary costs, ie: rent, equipment rent, risk mgmt, etc.
Supplies: Maintenance supplies

**Slight increases are due to inflation factored into costs for later years.*

Loss in Operating Revenue/Premium Tax (unrestricted)

The loss in revenue for an estimated 20 self insurance groups is \$175,000 in FY98 and \$317,000 in subsequent years. These loss amounts are calculated as follows. (Fees support operating costs and premium taxes are unrestricted revenues)

FY98	AK Domestic/Foreign	AK Self Insurance Group
Application Fee	\$2,500.00	\$500.00
Estimated Premium Tax on \$250,000 minimum premium	<u>6,750.00</u>	<u>0.00</u>
	\$9,250.00	\$500.00
Each Subsequent Year		
Annual Continuation fee	\$2,250.00	0.00
Annual Statement filing fee	100.00	0.00
Estimated Premium Tax on \$500,000 minimum premium*	<u>13,500.00</u>	<u>0.00</u>
	\$15,850.00	0.00
FY98		Each Subsequent Year
\$6,750 X 20 = \$135,000 tax loss		\$13,500 X 20 = \$270,000 tax loss
\$2,000 X 20 = <u>40,000</u> fees loss		\$ 2,350 X 20 = <u>47,000</u> fees loss
\$175,000		\$317,000

* Per the 1995 Division of Insurance Annual Report, 156 companies are licensed to write workers' compensation insurance in Alaska. Average annual direct premium per company is \$1,141,692.00. Annual premium tax (2.7%) on this premium amount would be \$30,826.00. Substituting the estimated premium tax in the calculation above shows the tax loss for an estimated 20 self insurance groups would be :

FY98 and each subsequent year **\$616,520.00**

FISCAL NOTE

No. 2
 Bill Version: CSHB 116(L&C)
 (H) Publish Date: 4/25/97

STATE OF ALASKA
1997 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Labor
 Title: Workers' Compensation self- BRU: Workers' Compensation
insurance group Component: Workers' Compensation
 Sponsor: Representatives Kott
 Requestor: House L&C COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	37.4	37.4	37.4	37.4	37.4	37.4
TRAVEL						
CONTRACTUAL	6.1	1.1	1.1	1.1	1.1	1.1
SUPPLIES						
EQUIPMENT	5.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	48.5	38.5	38.5	38.5	39.5	38.5
CAPITAL						
CHANGE IN REVENUE						
FUND SOURCE #						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	48.5	38.5	38.5	38.5	38.5	38.5
1005 GF/Program Receipt						
1006 GF/MHTIA						
1007 Interagency Receipt						
TOTAL	48.5	38.5	38.5	38.5	38.5	38.5

POSITIONS:

FULL-TIME	1					
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary)
 This bill proposes amending AS 21 by adding chapter 47, "Workers' Compensation Self Insurance Groups".
 See attached for the impact to Workers' Compensation.

Prepared by: Paul Grossi, Director *Paul Grossi* Phone: 465-2790
 Division: Workers' Compensation Date: 2/14/97
 Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*
 Agency: Department of Labor Date: 2/14/97

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HB 116 Analysis:

The provisions of this bill apply to workers' compensation self insured groups. Under this bill the Division of Insurance would issue a certificate of approval to those persons who qualify for self-insurance coverage. Security from the self insurers would be deposited with the Division of Insurance and assigned to the Workers' Compensation Division to hold in trust, collect and transmit accruing interest to the depositor, and keep the Division of Insurance apprised of individual or group status changes within the self insured group.

A new position would be required to track all securities assigned; establish individual trust; monitor interest accrued and disbursed to the depositor; prepare form letters of status change; and keep the Division of Insurance apprised of any status changes within the self-insured groups.

One staff month of programming time will be required to develop computerized programs to interface with the Division of Insurance and to track self insurer and individual changes within each self insurance group.

Line 100 Personal Services

1 Administrative Clerk III

Salary & Benefits \$37.4

Line 300 Contractual Services

DP Programming (FY98 one time) 5.0

Postage 0.5

DP Operations 0.4

Printing form letters 0.2

\$6.1

Line 500 Equipment

(One time set up costs)

Computer 3.5

Office Furniture 1.5

5.0

Total \$48.5

POSITION INFORMATION HAS BEEN UPDATED

02/14/97

Position Information Inquiry/Update

Prior

11:52:11

Yr Actual

Budgeted

Position: New Position	Project: 0	Salary:	23,953	25,480.56
Comp: 07-06-07-10-01-00	Region: _	Benefits:	9,756	11,917.56
Scenario: 1	FY: 98	COLA %: 1.500	Total:	33,709
				37,398.12

 Actuals from Payroll (Status: FILLED) FLSA: N | Retirement Code: A

A | Step: A for 12.0 months & Step: B for _0.0 months (total: 12.00)
 97/05/16 | Merit Date; use merit defaults? N (10.5 @ B & 1.5 @ C)
 2 | Class/Sched Prefix: 2 Schedule: 2A (actual: 2A)
 GG | Bargaining Unit: GG Range: 10 (actual: 10)
 EBA ? | Location Code: AWA Place: JUNEAU
 P1135 | Job Class Code: P1135 Title: ADMINISTRATIVE CLERK III_____
 F | Seasonal Indic.: F Type: FACL - FULL TIME / OMB AUTH

Optional Override Salary Rates:

Monthly Rate: 0.00___ for _0.0 months & rate of 0.00___ for _0.0 months
 Hourly Rate: 0.00___ for _0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:
 1=Premium pay info 2=Funding info 4=Code Translations 6=Calculations
 8=Detail Report 12=Exit w/o update Selection: 0_