

HB

116

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/16/98

FURTHER:

DATE TURNED
IN TO OFFICE: 9 May 1998

Finance Committee considered CS FOR HOUSE BILL NO. 116(FIN)

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

and recommends:

- be replaced with 5 CS CS HB 116 (FIN)
- adopt previous CS Forthcoming ()
- attached amendment(s) CS
- adopt Letter of Intent by
- further referral to the

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical title
- new: SCR#

SIGNING DO/PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Logan</i>	✓	<i>Do Pass It</i>			✓
<i>Dee Donley</i>	✓	<i>Sean Pradell</i>	X		
		<i>Al Adams</i>		X	
Co-Chair: <i>Pearce</i>	✓	Co-Chair: <i>[Signature]</i>			
Co-Chair: <i>[Signature]</i>		Co-Chair: <i>[Signature]</i>			✓

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>fiscal note</i>			
<i>forthcoming</i>			
<i>Div. of Ins.</i>			
<i>(not zero)</i>			

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>Labor, Workers Comp</i>	<i>4/11/98</i>		<i>49.5</i>

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

No. 4
 Bill Version: SCS (SHB 116) (Lec)
 (S) Publish Date: 3-18-98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date (Note if correction): _____
 Title: Workers' Compensation Self Insurance Group
 Sponsor: Representative Kott
 Requestor: Senate JUD

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

COMPONENT SERIAL NO. 344

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	37.5	37.5	37.5	37.5	37.5	37.5
TRAVEL						
CONTRACTUAL	7.0	1.1	1.1	1.1	1.1	1.1
SUPPLIES						
EQUIPMENT	5.0					
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	49.5	38.6	38.6	38.6	38.6	38.6

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	49.5	38.6	38.6	38.6	38.6	38.6
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	49.5	38.6	38.6	38.6	38.6	38.6

POSITIONS:

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

Estimate of current year (FY98) 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: 3/11/98
 Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*
 Agency: Department of Labor Date: 3/11/98

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SCS CSHB 116(L&C) Analysis:

The provisions of this bill applies 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.

The figures representing office furniture and equipment assume that some items may be available through Surplus Property at reduced costs.

Line 100 Personal Services

1 Administrative Clerk III	
Salary & Benefits	\$37.5

Line 300 Contractual Services

DP Programming (FY99 one time)	5.9
Postage	0.5
DP Operations	0.4
Printing form letters	<u>0.2</u>
	7.0

Line 500 Equipment

(One time set up costs)	
Computer	3.5
Office Furniture/Equipment	<u>1.5</u>
	5.0

Total	\$49.5
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#4
WB116

01/30/98

Position Information Inquiry/Update

Prior 10:43:21
Yr Actual Budgeted

Position: 07-07#020	Project: 0	Salary: 0	26,268.00
Comp: 07-06-07-10-01-00	Region:	Benefits: 0	11,188.73
Scenario: 7 FY 99	COLA %: 0.000	Total: 0	37,456.73

Actuals not available (Status: UNKNOWN) FLSA: | Retirement Code: A

00/00/00	Step: B for 12.0 months & Step: C for 0.0 months (total: 12.00)
0	Merit Date; use merit defaults? N (0.0 @ & 0.0 @)
	Class/Sched Prefix: 2 Schedule: 2A (actual:)
	Bargaining Unit: GG Range: 10 (actual:)
	Location Code: AWA Place: JUNEAU
	Job Class Code: P1135 Title: ADMINISTRATIVE CLERK III
	Seasonal Indic.: F Type: -

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
 7=MISC NEW POS DATA 8=Detail Report 12=Exit w/o update Selection: 0

FISCAL NOTE

5/9/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

No. 3
B Bill Version: SCB CSHB 116 (4C)
(S) Publish Date: 3-9-98

Revision Date (3/5/98) Dept. Affected Commerce & Economic Development
Title An Act relating to workers' compensation BRU Insurance
self-insurance Component Insurance
Sponsor Representative Kott
Requester Senate Labor and Commerce Component Serial No. 354

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	72.0	72.0	73.0	73.0	74.0	74.0
Travel	1.5	1.5	1.6	1.6	1.7	1.7
Contractual	2.0	2.0	2.1	2.1	2.2	2.2
Supplies	1.5	1.5	1.6	1.6	1.7	1.7
Equipment	5.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	82.0	77.0	78.3	78.3	79.6	79.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	(47.0)	(47.0)	(47.0)	(47.0)	(47.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	66.2	56.7	58.0	58.0	59.3	59.3
1005 GF/Program Receipts	15.8	20.3	20.3	20.3	20.3	20.3
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	82.0	77.0	78.3	78.3	79.6	79.6

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
The division estimates that 20 groups will be formed and pay application fees of \$2,500 in FY 99 . No annual continuation fees would be paid. Expenditures are based on the addition of one full time Financial Examiner II, with normal associated costs for equipment, supplies etc.

Prepared by Marianne K. Burke, Director Phone 465-2515
Division Insurance Date 3/5/98
Approved by Commissioner Deborah B. Sedwick Date 3/5/98
Agency Commerce and Economic Development

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HB 1110

SENATOR AL ADAMS - moved
Sen Adams object
AMENDMENT #2

4-2
Adopted
(Carmell, Donlog,
nag)

SENATE FINANCE
COMMITTEE

Amendment Number: 2

Bill Number: HB 1110

Sponsor: Adams Date: 5/8/98

Logged In By: J. Soltani

0-LS0463/Z

Page 2, following line 27, amend the existing language to read:

(1) a combined net worth of the group membership of at least \$1,000,000 evidenced by financial statements which have been audited by an independent Certified Public Accountant:

SENATE FINANCE
COMMITTEE

Amendment Number: 1
Bill Number: HB 116
Sponsor: Adams Date: 5/8/98
Logged In By: Q. Saltzman

HB 116

BY SENATOR AL ADAMS *move*
object Sen. Engstrom

AMENDMENT # 1
(Page 1)

FAIL 3-3-1
Adams, Phillips, Sharp
Lye-
Pearce absent

Amendments to Senate CS for CS for HB 116 version "Z"

Page 4, line 21

Replace semicolon after the word application with a period.

Page 4, line 22

Delete (3) and replace with "(e) The director may"

Page 4, line 23

Delete "shall" and replace with "may"

Lines 14-25 now read:

(d) The director shall

(1) evaluate the information provided by the application required to be filed under (a) of this section to assure that gaps in funding do not exist and that funds necessary to pay workers' compensation benefits will be available on a timely basis;

(2) act upon a completed application for a certificate of approval within 60 days; if, because of the number of applications, the director is unable to act upon an application within this period, the director may have an additional 60 days to act on the application[;].

~~[(3)]~~ (e) The director may issue to the group a certificate of approval upon finding that the proposed group has met all requirements, or the director shall issue an order refusing the certificate setting out reasons for refusal upon finding that the proposed group does not meet all requirements of this chapter.

Pages 8, lines 4 and 5

Option 1.

Delete the sentence "Upon request, the director shall allow a 60 day extension of the deadline described in this subsection."

Option 2.

Delete "shall and insert "may.

Line 5 reads: "director [SHALL] may allow a 60 day extension of the deadline described in this subsection."

BY SENATOR AL ADAMS

AMENDMENT # 1
(page 2)

Pages, lines 18 and 21
Delete "shall" and insert "may"

Lines 13-22 now read:

(e) A group shall be audited at least annually by an auditor acceptable to the director to verify proper classifications, experience rating, payroll, and rates. A report of the audit shall be filed with the director in a form acceptable to the director. A group or a member of a group may request a hearing on objections to the classifications. If the director determines that as a result of an improper classification a member's premium contribution is insufficient, the director [SHALL] may order the group to assess that member an amount equal to the deficiency. If the director determines that as a result of an improper classification a member's premium is excessive, the director [SHALL] may order the group to refund to the member the excess premium collected. The audit required under this subsection shall be at the expense of the group.

Page 10, line 31
Delete "shall" and insert "may"

Line 30 and 31 read:

If a group fails to assess its members or to otherwise make up a deficit within 60 days, the director [SHALL] may order the group to make up the deficit.

Page 11, line 6
Delete "shall" and insert "may"

Lines 6-8 read:

(e) In the event of the liquidation of a group, the director [SHALL] may levy an assessment upon its members in an amount the director determines to be necessary to discharge all liabilities of the group, including the reasonable cost of liquidation.

SENATE FINANCE
COMMITTEE

Amendment Number: 3

Bill Number: HR 116

Sponsor: Adams Date: 5/8/98

Logged In By: nsoltani

by SENATOR ADAMS

Amendment #3

HB 116

O-IS0463/Z

moved by Sen Adams
object Sen Torgerson
3-3 FAILED
(Parnell, Donley, Torgerson -
may)

Page 3, following line 20, amend the existing language to read:

(3) obtain specific and aggregate excess insurance in a form
^{amended and} and acceptable to the director, and by an insurance company
holding a valid Certificate of Authority issued by the State
of Alaska: this insurance shall be maintained at all times; the
director may establish minimum requirements for the amount
of specific and aggregate excess insurance based on size dif-
ferences among groups, types of employment, years in existence,
and other relevant factors, and may permit a group to meet this
requirement by placing in a designated depository, securities of
the type referred to in (2) of this subsection;

BY SENATOR KELLY

AMENDMENT #3

0-LS0463VZ

Page 3, following line 20, amend the existing language to read:

(3) ~~obtain evidence of the availability of specific and aggregate excess insurance in a form and, in an amount, acceptable to the director and by an insurance company holding a valid Certificate of Authority issued by the State of Alaska; this insurance shall be maintained at all times acceptable to the director;~~ the director may establish minimum requirements for the amount of specific and aggregate excess insurance based on size differences among groups, types of employment, years in existence, and other relevant factors, and may permit a group to meet this requirement by placing in a designated depository securities of the type referred to in (2) of this subsection;

SENATE FINANCE
COMMITTEE

Amendment Number: 4
Bill Number: HB 116
Sponsor: Adams Date: 5/8/98
Logged In By: gotlani

HB 116

BY SENATOR AL ADAMS

AMENDMENT # 4

moved by Sen. Adams
object Sen Sharp

FAILED 3-3-1

0-LS0463/Z

Page 5, following line 11, amend the existing language to read:

Sec.21.47.050. Examinations. The director may examine the affairs, transactions, accounts, records, and assets and liabilities of a group and its members as often as the director requires. The expense of an examination shall be assessed against the group in the same manner that an insurer is assessed for an examination.

x/B/1/b

by SENATOR ADAMS

Amendment #

5

SENATE FINANCE
COMMITTEE

O-IS0463/Z

Amendment Number: 5

Bill Number: HB 116

Sponsor: Adams Date: 5/8/98

Logged In By: Kottler

Page 4, at line 11, insert new language to read:

m
moved Sen Adams's
objection

(8) A self-insured group shall have and maintain surplus, in a form and manner acceptable to the director, equal to the greater of

FAIL 3-3-1
Dorley, Jackson
Parnell Nay

(A) \$750,000 or 75 percent of its first year's estimated annual standard premium, at the time a group makes its application for a certificate of approval, until January 1 of the first year following the issuance of its certificate of approval:

Peace absent

(B) \$800,000 or 80 percent of its next year's estimated annual standard premium as of January 1 of the second year following issuance of its certificate of approval:

(C) \$850,000 or 85 percent of its next year's estimated annual standard premium as of January 1 of the third year following the issuance of its certificate of approval:

(D) \$900,000 or 90 percent of its next year's estimated annual standard premium as of January 1 of the fourth year following the issuance of its certificate of approval:

(E) \$1,000,000 or 100 percent of its next year's estimated annual standard premium as of January 1 of the fifth year following the issuance of its certificate of approval.

0-LS0463VZ

Page 4, at line 11, insert new language to read:

(S) A self-insured group shall have and maintain surplus, in a form and manner acceptable to the director, equal to the greater of

~~750,000~~ ^{750,000} or ~~25~~ ¹⁵ percent of its first year's estimated annual standard premium, at the time a group makes its application for a certificate of approval, until January 1 of the first year following the issuance of its certificate of approval;

~~500,000~~ ^{600,000} or ~~50~~ ³⁵ percent of its next year's estimated annual standard premium as of January 1 of the second year following issuance of its certificate of approval;

~~750,000~~ ^{700,000} or 75 percent of its next year's estimated annual standard premium as of January 1 of the third year following the issuance of its certificate of approval;

~~1,000,000~~ ^{800,000} or ~~100~~ ⁸⁰ percent of its next year's estimated annual standard premium as of January 1 of the fourth and each subsequent year following the issuance of its certificate of approval.

(D) 900,000 or 90%

(E) 1,000,000 or 100%

- a 750 - 75%
- b 800 80
- c 850 85
- d 900 90
- ~~950 95~~
- E 1,000,000 100%