

HB

403

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 116J01
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 22, 2004

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill aimed at a crisis in the Alaska Workers' Compensation insurance industry. Resolving this issue is vitally important to Alaska's employers and employees. Specifically, this bill deals with the after-effects of Fremont Insurance Company's insolvency (Fremont). Fremont was a California based workers compensation insurer. It was writing about 27 percent of the workers' compensation insurance policies in Alaska by the year 2000.

Fremont was heavily involved in California's workers' compensation price wars. These price wars occurred after California deregulated its insurance market in 1995. Insurers like Fremont cut prices and scrambled for market share. The result was that 41 workers' compensation carriers in California went insolvent or quit doing business in the state to avoid insolvency. Fremont joined the group of failed insurers when it was declared insolvent in July, 2003. Fremont left Alaska employers and employees "holding the bag" with liability for claims worth approximately \$60 million.

The Alaska Insurance Guaranty Association Fund (Fund) is set up to pay uncovered claims. The Fund pays claims in situations where insurance is unavailable to pay claims. The goal is to minimize losses to employers and employees. Association members are insurers that are authorized to write property and casualty insurance Alaska. An assessment is made based on the amount of premiums the member writes in this state. Current statutes cap the assessment at two percent of premiums written each year.

The Fremont insolvency and the amount of claims left over is so large, the Fund cannot cover the claims. If the difference is not made up, Alaska employers and employees alike will suffer. Employers will be held liable for claims they paid Fremont to cover. Some businesses will simply not be able to afford to pay the claims and will have to go out of business. Many other claims

The Honorable Pete Kott
January 22, 2004
Page 2

will be delayed or settled for less than their full value as employers and employees litigate or dispute liability and the value of a claim.

Statutory changes are necessary to address the Fund's substantial cash deficits and to provide for greater equity in times of crisis among all persons covering an employer's liability for workers' compensation, whether through insurance, self-insurance, or a pooling arrangement. A brief description of these changes follows.

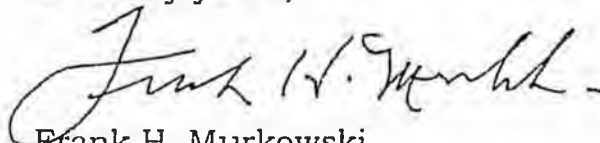
Under the bill, the insurance code (AS 21) would be amended to raise the cap on member assessments by the association from two percent to four percent of written premiums and to provide for excess assessments on member insurers if there is a shortage of money in an association account. The bill would also authorize the association to assess employers that are self-insured for workers' compensation and assess joint insurance arrangements that insure an employer's workers' compensation liability. This assessment applies only when insurer assessments are insufficient in any one year to cover workers' compensation claims payments by the association and is limited to a maximum of two percent of all payments reported to the Alaska Workers' Compensation Board under the Alaska Workers' Compensation Act (AS 23.30).

The bill also includes a provision to authorize the Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans to the association that are needed to make the association financially able to meet cash flow needs. While current law allows the association to borrow money, the association is not a viable prospect for traditional commercial loans. Loan guarantees from AIDEA would permit the association to obtain loans on favorable terms. The bill, however, would limit AIDEA guarantees for association loans to a maximum outstanding principal balance at any time on all loans of \$30,000,000.

The bill provides for an immediate effective date.

I urge your prompt and favorable action on this measure.

Sincerely yours,



Frank H. Murkowski
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 403
(H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: "An Act relating to the RDU: Workers' Compensation
Alaska Insurance Guaranty Association..." Component: Workers' Compensation
Sponsor: Rules Committee
Requester: Governor Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Paul Grossi, Director Phone 465-2790
Division: Workers' Compensation Division Date/Time 12/31/03 9:17 AM
Approved by: Greg O'Claray, Commissioner Date 12/31/2003
Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 403
(H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AIGA Assessment RDU _____
Sponsor Rules Component Alaska Railroad Corporation
Requester By Request of the Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Alaska Railroad Corp Revenues						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Alaska Railroad Corporation (ARRC) is a public corporation wholly supported by revenues generated through freight, passenger and real estate services. ARRC does not receive state subsidies for operations or capital improvements from the State.

It is estimated that \$1,560,000 of the railroad's operating expenses will be expensed to workers compensation in 2003. The fiscal impact on ARRC related to the assessment fees (an incremental 2% of all payments reported to the Workers Compensation Board) associated with the proposed bill are as follows:

Prepared by: Wendy Lindskoog, Director of External Affairs Phone (907) 265-2498
Division Alaska Railroad Corporation Date/Time 12/24/03 10:54 AM
Approved by: Edgar Blatchford, Commissioner Date 12/24/2003
Agency Department of Community & Economic Development

FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. HB 403

ANALYSIS CONTINUATION

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
\$31.2	\$31.2	\$31.2	\$31.2	\$31.2	\$32.2	\$31.2

This assumes that ARRC's workers compensation expenses, which increased significantly from 2000 to 2002, will return to the fairly stable level experienced between 1987 and 1999. Future workers compensation expenses will fluctuate from year to year based on the performance of ARRC's safety and injury record, which is estimated to stabilize in future years.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: HB 403
(H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AIGA Assessment RDU Insurance (116)
Component Insurance
Sponsor Rules
Requester By Request of the Governor Component No. 354

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation increases the Alaska Insurance Guaranty Association's (AIGA) ability to pay Alaska claims of insurers who become insolvent. It raises the current assessment limit for insurance companies from two percent to four percent of the member insurers net direct written premiums for a calendar year (AS 21.80). Based on 2001 premium activity for workers compensation insurance, an increase to four percent could generate a maximum assessment of approximately \$6 million annually. In addition to the assessment on insurance company premiums, the legislation also expands the assessment pool to include joint insurance arrangements (Alaska Municipal League Joint Insurance Association, Inc. and the Alaska Public Entity Insurance) as well as self-insurers (some large Alaska employers including the State of Alaska). They are to be assessed an amount not to exceed two percent of the payments reported to the Alaska Workers Compensation Board for a calendar year. This bill has no fiscal impact on the operations of the division.

Prepared by: Linda S. Hall, Director Phone (907) 269-7900
Division Insurance Date/Time 12/24/03 9:54 AM
Approved by: Edgar Blatchford, Commissioner Date 12/24/2003
Agency Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: HB 403
(H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AIGA Assessment RDU AIDEA (125)
Component AIDEA
Sponsor Rules
Requester By Request of the Governor Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans to the Alaska Insurance Guaranty Association (AIGA) needed to make the association financially able to meet cash flow needs. AIDEA guarantees for association loans are limited to a maximum outstanding principal balance at any time of \$30 million on all loans. There is no financial impact on the operations of AIDEA.

Prepared by: Ron Miller, Executive Director Phone (907) 269-3000
Division AIDEA/AEA Date/Time 12/24/03 9:00 AM
Approved by: Edgar Blatchford, Commissioner Date 12/24/2003
Agency Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 5
Bill Version: HB 403
(H) Publish Date: 1/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: An Act relating to AK Guaranty Assoc. and new fee assessments BRU: Risk Management
Component: Risk Management
Sponsor: _____ Component No.: 71
Requester: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	372.9	439.9	519.0	612.4	722.5	852.4
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	372.9	439.9	519.0	612.4	722.5	852.4

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1007 I/A Receipts	372.9	439.9	519.0	612.4	722.5	852.4
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	372.9	439.9	519.0	612.4	722.5	852.4

Estimate of any current year (FY2004) cost: 316.1

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation creates an increased cost to Risk Management operating expenses as it requires an assessment fee for all self insured employers. The bill includes an immediate effective date, therefore it is assumed that an assessment will be applied in FY2004 for calendar 2003 payments reported 3/1/2004.

Applying the 2% rate to the projected workers' compensation claims experience is projected, although future loss experience will determine actual costs incurred.

As Risk Management is funded solely through inter-agency receipts, this additional expense will require increased cost of risk allocations (premium assessments) to all state agency operating budgets.

Prepared by: J. Brad Thompson, Director Phone: _____
Division: Risk Management Date/Time: 1/23/04 7:17 AM
Approved by: Mike Miller, Commissioner Date: 1/23/2004
Agency: Administration

HB 403 - Fiscal Note #5

Calendar Year annual report	Total W/C benefits paid (excluding Second Injury Fund - SIF)	% Increase	Estimated Assessment Owed
CY2000	\$9,625,032		
CY2001	\$11,165,023	16.00%	
CY2002	\$13,166,038	17.92%	
CY2003 (11 mo. Exp. Proj. 12 mo)	\$15,802,514	20.02%	\$316,050

3 year average increase 17.98%

	Estimated Future W/C Benefits to be Paid w/avg. % increase	
CY2004	\$18,644,167	\$372,883
CY2005	\$21,996,814	\$439,936
CY2006	\$25,952,343	\$519,047
CY2007	\$30,619,167	\$612,383
CY2008	\$36,125,193	\$722,504
CY2009	\$42,621,328	\$852,427

FISCAL NOTE

STATE OF ALASKA
2004 Legislative Session

Fiscal Note Number: 6
 Bill Version: CSSB 276(L&C)
 (S) Publish Date: 2/18/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title AK Insurance Guaranty Assn. BRU AK Permanent Fund Corporation
 Component Earnings Reserve
 Sponsor Governor
 Requester Senate Labor and Commerce Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	2005	2006	2007	2008	2009	2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1041 PF Earnings	8,890.7					
TOTAL	8,890.7	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 5,828.5

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Jane Alberts Phone 465-3844
 Division Labor & Commerce Committee Staff Date/Time 2/18/04 11:23 AM
 Approved by: Senator Con Bunde, L&C Chair Date 2/18/2004
 Agency Legislature



Alaska Municipal League Joint Insurance Association, Inc.

217 Second Street, Suite 200 • Juneau, Alaska 99801 • Phone (907) 586-3222 • Fax (907)

February 3, 2004

The Honorable Tom Anderson
Chairman, House Labor & Commerce Committee
State Capitol, Room 432
Juneau, AK 99801-1182

RE: HB403

Dear Representative Anderson:

The Alaska Municipal League Joint Insurance Association (AML/JIA) opposes HB403 as currently drafted. The bill imposes a "non-user fee" on local governments, school districts, and self-insureds, including the State of Alaska.

In addition to other, more lucrative provisions, the bill proposes a two percent assessment on all workers' comp. expenses paid out annually by a joint insurance arrangement or self-insured employer. Neither joint insurance arrangements like the AML/JIA nor self-insured employers like the State of Alaska are eligible to receive any benefit from the fund.

AS21.76 permits public entities to form joint insurance arrangements. One reason local government entities are permitted to pool is because they have taxing authority. If additional monies are needed to protect injured workers in the pool, school and municipal members of the joint insurance association would be tapped to replenish the pool's reserves much as the private sector members of the Alaska Guaranty Fund are assessed to replenish their fund.

Ultimately, workers' compensation is an obligation of the employer. This is an obligation the 140 municipal and school district members of the AML/JIA take very seriously. We have been working diligently to adequately fund our program. In the unlikely event of financial problems, the AML/JIA does not expect, nor are we entitled to, a bail-out from the Guaranty Fund.

There is no question that the Alaska Guaranty Fund is in desperate straits. If joint insurance arrangements and self-insureds must be called upon to pay into a fund which we have no access to, please consider a sunset provision in four years.

Thank you for your consideration.

Sincerely,

Kevin Smith
Executive Director

23-GS2105H
Bullock
2/15/04

CS FOR SENATE BILL NO. 276(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska Insurance Guaranty Association; relating to the powers
2 of the Alaska Industrial Development and Export Authority concerning the association;
3 and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * Section 1. AS 21.80.060(a) is amended to read:

6 (a) The association

7 (1) is obligated to pay covered claims existing before the order of
8 liquidation and arising within 30 days after the order of liquidation, or before the
9 policy expiration date if less than 30 days after the order of liquidation, or before the
10 insured replaces the policy or causes its cancellation if the insured does so within 30
11 days after the order of liquidation, but this obligation includes only that amount of
12 each covered claim that is less than \$500,000, except that a covered claim for return of
13 unearned premium may not exceed \$10,000 for each policy, and except that the
14 association shall pay the full amount of any covered claim arising out of a workers'

1 compensation policy; the association is not obligated

2 (A) to a policyholder or claimant in an amount in excess of the
3 obligation of the insolvent insurer under the policy from which the claim
4 arises; or

5 (B) to pay a claim filed with the association after the final date
6 set by the court for the filing of claims against the liquidator or receiver of an
7 insolvent insurer;

8 (2) is considered the insurer to the extent of its obligation on the
9 covered claims and to that extent has all rights, duties, and obligations of the insolvent
10 insurer as if the insurer had not become insolvent;

11 (3) shall allocate claims paid and expenses incurred among the three
12 accounts separately, and assess member insurers separately for each account amounts
13 necessary to pay the obligation of the association under (1) of this subsection
14 subsequent to an insolvency, the expenses of handling covered claims subsequent to
15 an insolvency, and other expenses authorized by this chapter; under this paragraph,

16 (A) the assessments of each member insurer must initially be
17 based on a uniform percentage, as determined by the association, of the net
18 direct written premiums of each member insurer for the last year for which
19 annual statements have been filed on the kinds of insurance in the account; this
20 initial assessment shall be adjusted by applying the same uniform percentage
21 as initially used to each member insurer's net direct written premiums for the
22 calendar year following the year in which the initial assessment was issued;
23 any difference between the initial assessment amount and the adjusted
24 assessment amount allocated to a member insurer shall be levied against or
25 credited back to the member insurer, as appropriate, by the association; the
26 association shall calculate and issue all appropriate levies and credits as soon
27 as practical after all member insurers have filed their annual statements for the
28 calendar year following the year in which the initial assessment was issued;

29 (B) on an annual basis, the association shall determine if
30 funding is required for any of the three accounts; based on this determination,
31 the association shall, during November of each year, issue initial assessments

1 as may be necessary to cover the projected reasonable costs of claims and
2 expenses to administer the association for the following year; under this
3 subparagraph,

4 (i) the association shall use the services of an
5 independent actuary to assist the association to evaluate and make the
6 projection;

7 (ii) an initial assessment may be made at any other time
8 if the association determines funding is necessary, except that a
9 member insurer may not be assessed initial assessments on any account
10 in an amount greater than two percent of the member insurer's net
11 direct written premiums for the applicable calendar year;

12 (C) the association may pay claims in any order that it
13 determines reasonable, including the payment of claims as they are received
14 from claimants or in groups or categories of claims; however, if the maximum
15 of all assessments made under this section [ASSESSMENT], together with
16 the other assets of the association in any account, does not provide, in any one
17 year, in any account, an amount sufficient to make all necessary payments
18 from that account, the funds available shall be prorated, and the unpaid portion
19 shall be paid as soon thereafter as funds become available;

20 (D) the association may defer, in whole or in part, an
21 assessment of any member insurer if the assessment would endanger the ability
22 of the member insurer to fulfill the insurer's contractual obligations or cause
23 the member insurer's financial statement to reflect amounts of capital or
24 surplus less than the minimum amounts required for a certificate of authority
25 by any jurisdiction in which the member insurer is authorized to transact
26 insurance; however, during the period of deferment, the member insurer may
27 not pay dividends to shareholders or policyholders; a deferred assessment may
28 only be paid when the payment does not reduce capital or surplus below
29 minimums required by law; a member insurer who pays a larger assessment as
30 a result of a deferment given to another member insurer shall receive a refund
31 when the deferment ends or, at the election of the member insurer, receive a

1 credit against future assessments;

2 (E) each member insurer may set off against an assessment
3 authorized payments made on covered claims and expenses incurred in the
4 payment of these claims by the member insurer if they are chargeable to the
5 account for which the assessment is made;

6 (4) shall investigate claims brought against the association, adjust,
7 compromise, settle, and pay covered claims to the extent of the association's
8 obligation, and deny all other claims, and may review settlements, releases, and
9 judgments to which the insolvent insurer or its insureds were parties to determine the
10 extent to which settlements, releases, and judgments may be properly contested;

11 (5) may, subject to AS 21.89.100, appoint, substitute, or direct legal
12 counsel retained under an insurance policy for the defense of a covered claim;

13 (6) shall handle claims through its employees or through one or more
14 insurers or other persons designated as servicing facilities; a servicing facility shall
15 operate and maintain its principal office in this state unless the use of a servicing
16 facility located outside of the state would result in operating cost savings of at least 10
17 percent and would not result in material delay in claim payments; designation of a
18 servicing facility is subject to the approval of the director, but designation may be
19 declined by a member insurer;

20 (7) shall reimburse each servicing facility for obligations of the
21 association paid by the facility and for expenses incurred by the facility while handling
22 claims on behalf of the association and shall pay the other expenses of the association
23 authorized by this chapter.

24 * Sec. 2. AS 21.80.060(b) is amended to read:

25 (b) The association may

26 (1) employ or retain those persons necessary to handle claims and
27 perform other duties of the association;

28 (2) borrow funds necessary to effect the purposes of this chapter in
29 accord with the plan of operation and secure guarantees from the Alaska Industrial
30 Development and Export Authority for association loans that are necessary to
31 make the association financially able to meet cash flow needs;

- 1 (3) sue or be sued;
- 2 (4) negotiate and become a party to those contracts that are necessary
- 3 to carry out the purposes of this chapter;
- 4 (5) perform all other acts necessary or proper to carry out the purposes
- 5 of this chapter;
- 6 (6) retain amounts excess of claims, expenses, credits, and other
- 7 liabilities in any account to be applied to reduce future assessments in that account,
- 8 except that, if, in any year, the association determines that significant funds in excess
- 9 of projected claims, expenses, credits, and other liabilities exist in an account, the
- 10 association shall return amounts to policyholders, through procedures established by
- 11 the association, whereby the association reimburses member insurers for providing
- 12 uniform credits against rates and premiums charged for all policies applicable to the
- 13 account issued during the next calendar year.

14 * Sec. 3. AS 21.80.080(b) is amended to read:

15 (b) The director may

16 (1) suspend or revoke, after notice and hearing, the certificate of

17 authority to transact insurance in this state of any member insurer that fails to pay an

18 assessment when due or fails to comply with the plan of operation; as an alternative,

19 the director may levy a fine on any member insurer that fails to pay an assessment

20 when due; this fine may not exceed five percent of the unpaid assessment per month or

21 portion of a month, except that a fine may not be less than \$250 a month;

22 (2) revoke the designation of any servicing facility upon a finding that

23 claims are being handled unsatisfactorily;

24 (3) upon a finding by the superior court that the board of governors has

25 failed to comply with a requirement of this chapter or the plan of operation, assume

26 the powers of the board of governors under AS 21.80.060;

27 (4) subject to an appropriation by the legislature from the

28 earnings reserve account established under AS 37.13.145, make a grant or grants

29 to the association as may be required to ensure the long-term solvency of the

30 association.

31 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR BUNDE

TO: CSSB 276(L&C), Draft Version "H"

1 Page 5, following line 30:

2 Insert a new bill section to read:

3 "** Sec. 4. AS 44.88.080 is amended by adding a new paragraph to read:

4 (27) to guarantee loans made to the Alaska Insurance Guaranty
5 Association (AS 21.80.040), with these guarantees limited to loans necessary to make
6 the association financially able to meet cash flow needs up to a maximum outstanding
7 principal balance at any time of \$30,000,000."

8

9 Renumber the following bill section accordingly.

ALASKA STATE LEGISLATURE

Rep. Lesil McGuire, Chair
Rep. Tom Anderson, Vice-Chair
Rep. Jim Holm
Rep. Dan Ogg
Rep. Ralph Samuels
Rep. Les Gara
Rep. Max Gruenberg



State Capitol, Room 120
Juneau, AK 99801-1182
(907) 465-4990
Fax (907) 465-6592

House Judiciary Committee

MEMORANDUM

To: House Judiciary Committee
From: Rep. Lesil McGuire, Chair, Judiciary Committee
Date: February 17, 2004
Re: Waiver Request for House Judiciary Committee Referral for
HB 403: Alaska Insurance Guaranty Association

I respectfully request your consideration to waive HB 403: Alaska Insurance Guaranty Association, sponsored by the House Rules Committee by Request of the Governor, from the House Judiciary Committee. The bill was given several full public hearings in the House Labor and Commerce Committee and has a further referral to the House Finance Committee.

Thank you.

AGREEMENT TO WAIVE HB 403 FROM THE HOUSE JUDICIARY COMMITTEE

Rep. Lesil McGuire (Chair) _____

Rep. Tom Anderson (Vice-Chair) _____

Rep. James Holm _____

Rep. Dan Ogg _____

Rep. Ralph Samuels _____

Rep. Les Gara _____

Rep. Max Gruenberg _____