

HB

51

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FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSSHB 51(L&C)
 (H) Publish Date: 3/20/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Employer Assn. for RDU Insurance (116)
Workers' Comp Insurance Component Insurance Operations
 Sponsor Meyer et al
 Requester Labor & Commerce Component No. 354

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING

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

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation modifies the qualifications required for workers' compensation self-insurance and permits employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage.

The insurance premium level used as the basis for calculating premium tax will be reduced to the extent that groups elect to self-insure. This would reduce general fund revenue. The amount of fiscal impact is indeterminate since we are unable to ascertain the amount by which premium would be reduced and the related drop in premium tax.

Prepared by: Linda S. Hall, Director Phone 907 269 7900
 Division Insurance Date/Time 2/9/06 3:35 PM
 Approved by: William C. Noll, Commissioner Date 2/9/2006
 Agency Commerce, Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSSHB 51(L&C)
(H) Publish Date: 3/20/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Employer Assn. for RDU: Insurance (116)
Workers' Comp Insurance Component: Insurance Operations
Sponsor: Meyer et al
Requester: Labor & Commerce Component No.: 354

Expenditures/Revenues (Thousands of Dollars)

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

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Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

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The insurance premium level used as the basis for calculating premium tax will be reduced to the extent that groups elect to self-insure. This would reduce general fund revenue. The amount of fiscal impact is indeterminate since we are unable to ascertain the amount by which premium would be reduced and the related drop in premium tax.

Prepared by: Linda S. Hall, Director Phone: 907 269 7900
Division: Insurance Date/Time: 2/9/06 3:35 PM
Approved by: William C. Noll, Commissioner Date: 2/9/2006
Agency: Commerce, Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSSSHB 51(FIN)
(H) Publish Date: 4/10/06

Revision Date/Time (Note if correction): _____ Department: Labor & Workforce Development
Title: Employer Assn for Workers' Comp Ins RDU: Workers' Compensation
Sponsor: Representative Meyer Component: Workers' Compensation
Requester: House Finance Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1157 Workers' Safety Account	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary).

The Committee substitute for HB 51 places regulatory oversight of the group self-insurance program in the Division of Insurance rather than the Workers' Compensation Division where it was placed in the original bill. With this change the legislation is not expected to have a financial impact on the Department of Labor and Workforce Development.

Prepared by: Paul F. Lisankie, Director Phone: 465-6059
Division: Workers' Compensation Date/Time: 3/21/06 3:20 PM
Approved by: Greg O'Clary, Commissioner Date: 3/21/2006
Agency: Department of Labor and Workforce Development

COMMITTEE COPY

HB 51

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

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REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

Sponsor Statement

House Bill 51

“An Act relating to permitting employers in the same trade to form joint insurance arrangements for self-insured workers’ compensation coverage.”

The workers compensation system was developed as a compromise between employees and employers to ensure that employees received compensation for injuries received on the job. Employers provide compensation for medical expenses and lost wages, and in exchange employees agree not to sue employers for damages.

Traditionally, employers have transferred the risk of compensation liability to insurance companies, who, for a premium, agree to cover the costs of an employee’s claim under the worker’s compensation system. Several states, including Alaska, allow an employer to self-insure providing that they meet financial requirements set in statute and regulation.

House Bill 51 allows a group of five or more employers to form an association to self-insure the employers’ workers compensation obligations. The members of the association must be engaged in the same or similar employment classifications, be members of a qualified trade association, and receive a certificate to self-insure under Alaska’s existing rules and regulations.

Workers compensation insurance premiums are a significant cost for employers. While the prospect of reducing costs attracts employers to self-insurance associations, employers and employees in states with similar statutes have seen other benefits. Directly assuming the risks for workers compensation obligations aligns employers and employees in managing workers compensation claims and costs. HB 51 is a tool for Alaska’s trade associations and employers to take direct control of the obligations they are exposed to under current law.

SECTIONAL ANALYSIS

CSSSHB 51 Workdraft "S" 3.3.06

Associations of Self-insured Employers for Providing Workers' Compensation Coverage

OVERVIEW:

CSSSHB 51 differs from SSHB 51 in two significant ways. First, while both versions allow employers who are in the same trade or business to form associations for the purpose of self-insuring their workers' compensation obligations, SSHB 51 placed regulatory authority for the self-insurance program with the Workers' Compensation Board. The CS places regulatory authority in the Division of Insurance. Second, SSHB 51 included only the most basic requirements for the self-insurance program, leaving many details to be established by regulation. The CS contains a much more detailed set of statutory requirements for the program.

SECTION BY SECTION ANALYSIS OF CSSSHB 51:

Section 1 adds Chapter 77 to the Alaska Insurance Code (AS 21). The provisions of the new Chapter 77 are as follows:

Sec. 21.77.010. Subsection (a) sets out the requirements that an association of employers must meet in order to qualify for a certificate of self-insurance. Members of the association must have at least 100 employees in the aggregate and must have a net worth of at least \$5 million in the aggregate. The association must have paid the annual service fee assessed under AS 23.05.067; each member of the association must have a workplace safety rate reduction program in effect, and the association must file an indemnity agreement with the director that makes each member jointly and severally liable to secure the payment of all workers' compensation obligations of all members of the association. Subsection (b) sets out the information and supporting documentation that must accompany an application for a certificate of self-insurance, including financial statements. Subsection (c) provides that financial information filed with the director is confidential and not a public record (that is, it is not available to the public for inspection or copying). Subsection (d) specifies that the membership in the association must include at least five employers who are members of the same Alaska trade association and that the trade association must have been in existence for at least five years.

Sec. 21.77.020. Subsection (a) requires an association of self-insured employers to maintain excess coverage in an amount and in a form required by the Director of the Division of Insurance, to collect an annual assessment from its members to cover their workers' compensation obligations and associated administrative expenses, and to provide security for the payment of the workers' compensation obligations of its

members. Subsection (b) requires the association to maintain an aggregate tangible net worth of at least \$5 million or provide a solvency bond in an aggregate amount of at least \$5 million. Subsections (c) and (d) require the association's administrator and third-party administrator each to deposit bonds with the director to secure performance of their respective duties. Subsection (e) allows the director to increase or decrease the amount of bonds required under the section in accordance with reserves requirements for casualty insurance. Subsection (f) makes it clear that depositing a bond does not relieve an association from the responsibility of administering claims and making workers' compensation payments.

Sec. 21.77.030. This section provides that only a surety or bonding company authorized to business in Alaska may furnish a bond or other form or security under the chapter.

Sec. 21.77.040. This section requires the director to issue a certificate of self-insurance if the director determines that the association meets the qualifications set out in Sec. 21.77.020. A certificate remains valid until it is withdrawn by the director or voluntarily terminated by the association. An association is not entitled to receive a new certificate if it has had a previous certificate involuntarily withdrawn within the previous two years. The director may not grant a request to cancel a certificate unless the association has insured or reinsured all incurred obligations.

Sec. 21.77.050. If a certificate is issued, the association directly assumes responsibility for providing workers' compensation to the members' employees and beneficiaries under the workers' compensation statutes (AS 23.30). In addition, except for the requirement to pay workers' compensation insurance premiums, the association is treated the same as any other employer under AS 23.30 for purposes of liability to the members' employees for injury. The association also acts on behalf of or for the benefit of its members and has the same rights and obligations under AS 23.30 as an employer. Claims must be handled in accordance with the requirements of AS 23.30, and the association is subject to regulations adopted by the Alaska Workers' Compensation Board.

Sec. 21.77.060. Subsection (a) provides that an association of self-insured employers shall be governed by a board of directors and imposes restrictions on who may serve on the board. Subsection (b) imposes a number of duties on the board of directors, including prompt payment of compensation due under AS 23.30, protection of association assets, the employment of a full time administrator, the employment of a third-party administrator to administer claims, engagement of an independent certified public accountant to prepare statements of financial condition, and maintenance of minutes of board meetings. Subsection (c) sets out certain prohibited acts, including extension of credit to a member of the association for payment of workers' compensation, unless under a payment plan approved by the director, and borrowing money from the association, except in the ordinary course of its business.

Sec. 21.77.070. Under subsection (a), the association's board of directors is responsible for the funds of the association. Subsection (b) requires the association to establish a claims account in a financial institution approved by the director and to deposit in the claims account at least 65 percent of the annual assessments received from its members. The director, under subsection (c), is authorized to allow a deposit of less than 65 percent if more than 35 percent of the annual assessments are needed to maintain loss control and occupational safety programs. Subsection (d) authorizes the association's board of directors to invest funds not needed to pay compensation payments. Subsection (e) authorizes the director to review the association's accounts to assure compliance with this section.

Sec. 21.77.080. This section prohibits an association's administrator and third-party administrator from having a direct or indirect financial relationship with one another.

Sec. 21.77.090. This section governs the relationship between the association and its members. Subsection (a) allows a member to withdraw from an association if the member has either become a self-insured individual employer under AS 23.30.090, has become a member of another association, or has obtained workers' compensation insurance. Subsection (b) allows the association to provide for cancellation of membership in accordance with the association's bylaws. Subsection (c) requires the association to maintain coverage for a cancelled or terminated member for 30 days after notice of cancellation or termination unless the member has been certified as a self-insured employer under AS 23.30.090, has become a member of another association of self-insured employers, or has obtained workers' compensation insurance.

Sec. 21.77.100. This section requires the association to notify the director in writing if a member withdraws from the association, a new member is added, or the board of directors cancels a membership. It also requires the association to notify the director of any changes in the information submitted with the application for a certificate of self-insurance.

Sec. 21.77.110. This section provides that the association is liable for payment of compensation required to be paid by a member under AS 23.30 and further provides that insolvency or bankruptcy of a member does not relieve the association of liability for payment of compensation due that member's employees.

Sec. 21.77.120. This section allows the director to examine the books, records, accounts and assets of an association of self-insured employers as necessary to carry out the provisions of Chapter 77 and allows the director to charge the association for the costs of the examination.

Sec. 21.77.130. This section provides that the director is considered to be the resident agent to receive service of initial legal process that may be served on the association of self-insured employers so long as the association is obligated to pay compensation under AS 23.30.

Sec. 21.77.140. This section authorizes an existing association of self-insured employers to merge with another association of self-insured employers if the members of both associations are members of the same trade association and if the merger is approved by the director. The section further provides that the resulting association assumes all of the obligations of the merging associations.

Sec. 21.77.150. Subsection (a) requires an association of self-insured employers to file an annual audited statement of financial condition with the director. Subsection (b) requires the statement to be prepared in accordance with generally accepted accounting principles and to include a statement of reserves for actual claims and expenses, claims incurred but not yet reported, the expenses associated with those claims, and unpaid debts, which must be shown as liabilities. The statement must also include an actuarial opinion regarding reserves prepared by a member of the American Academy of Actuaries or another specialist in loss reserves identified in the annual statement adopted by the National Association of Insurance Commissioners. Subsection (c) allows the director to require the filing of other reports, including payroll audits, reports of losses and quarterly financial statements.

Sec. 21.77.160. This section provides two alternative methods for calculating the annual assessments that must be paid by the association's members. One method is for the assessment to be calculated by a rate service organization that is a member of the American Academy of Actuaries or another specialist approved by the director and based on the assessment rate for the industrial classification of each member. The other method, which must be approved by the director, is for the association itself to calculate the assessment, based on three years of the member's actual experience. Under subsection (b), the director may approve a reduction in the annual assessment based on the association's expenses and loss experience.

Sec. 21.77.170. This section requires the association to conduct an annual audit of each of its members to verify the individual experience of each member, each member's payroll, and the assessment required to be paid by each member. The audit must be conducted by a payroll auditor approved by the director.

Sec. 21.77.180. This section allows an association to object to the industrial classification assigned to a member and to request a hearing on the objection before the director. The director may increase or decrease the amount of a member's annual assessment based on the industrial classification.

Sec. 21.77.190. This section allows the board of directors of an association, with the approval of the director, to declare and distribute dividends to its members if the assets of the association exceed the amount needed to pay its obligations and expenses, maintain reasonable reserves, and provide for contingencies.

Sec. 21.77.200. This section requires the association of self-insured employers to adopt a plan for payment of annual assessments by its members. The plan must be

approved by the director and must require an initial advance payment of a portion of the annual assessment and provide for the balance to be paid quarterly or in monthly installments. The advance payment must be at least 15 percent of the total.

Sec. 21.77.210. This section requires an association to maintain actuarially appropriate loss reserves necessary to for actual claims and expenses, claims incurred but not reported and the expenses associated with those claims, and reserves for unpaid debts based on the experience of the association or other associations.

Sec. 21.77.229. This section provides that self-insurance is not to be considered insurance for purposes of the director's general statutory and regulatory authority over insurance companies. Associations of self-insured employers are subject only to the statutory provisions of Chapter 77 and regulations adopted by the director to implement these provisions.

Sec. 21.77.230. Subsection (a) requires an association to notify the director immediately if the assets of the association become insufficient to pay compensation under AS 23.30 and to maintain the reserves required under Sec. 21.77.210. Subsection (a) also requires the association under such circumstances to take actions to make up the deficiency. Subsection (b) requires the association to notify the director before making any transfers of surplus funds from one year to another. Subsection (c) requires the director to order the association to make up any deficiencies within 30 days after the association notifies the director of the deficiency. Under subsection (d), the director may find the association to be insolvent if the association fails to collect additional assessments from its members within 30 days of being ordered to do so by the director.

Sec. 21.77.240. This section authorizes the director to order an association or a member of an association to cease and desist from engaging in an act or practice in violation of Chapter 77 or regulations adopted under the chapter. The director may impose administrative fines for violation of an order to cease and desist of not more than \$10,000 for each violation of the order, not to exceed \$100,000 in the aggregate.

Sec. 21.77.250. This section authorizes the director to impose an administrative fine for violation of a provision of Chapter 77 or a regulation adopted under the chapter. The maximum fine under this section is \$1,000 for each violation, not to exceed an aggregate amount of \$10,000.

Sec. 21.77.260. Subsection (a) allows the director to withdraw a certification of self-insurance if the association obtained its certificate through fraud or material misrepresentation, becomes insolvent, fails to maintain a minimum of five members, fails to pay the costs of an examination or a penalty imposed under the chapter, fails to comply with a provision of Chapter 77 or a regulation adopted under the chapter, fails to comply with an order of the director, or misappropriates funds or fails to pay money to which a person is entitled and that was entrusted to the association in its fiduciary capacity. Subsection (b) provides that if a certificate is withdrawn, the

members remain liable for their workers' compensation obligations. Subsection (c) provides that before withdrawing a certificate, the director shall notify the association in writing and provide 10 days within which to correct the conduct set out in the notice as the reason for the withdrawal. An association may request a hearing prior to withdrawal. Subsection (d) requires the director to provide an opportunity for an informal conference before taking any action to withdraw a certificate of self-insurance.

Sec. 21.77.270. This section provides that in the event a certificate is terminated or withdrawn, the security deposited under Sec. 21.77.020 must remain on deposit for at least 36 months. The director may release the security if the director receives evidence of a policy of insurance in lieu of the previously deposited security.

Sec. 21.77.280. Subsection (a) provides that an association is insolvent if it is unable to pay its outstanding obligations as they mature in the ordinary course of business. Under subsection (b), if an association becomes insolvent, files for bankruptcy, makes an assignment for the benefit of creditors, or fails to pay compensation due under AS 23.30 after an order for payment of a claim becomes final, the director may take action against any security filed with the director. Subsection (c) allows a surety providing a surety bond to terminate the bond by giving the director and the association notice of termination. Termination does not limit liability on the bond incurred before the termination. The director may withdraw the association's certificate of insurance if the association fails to requalify as an association of self-insured employers before the termination date.

Sec. 21.77.290. This section allows a party aggrieved by a decision of the director to seek judicial review in accordance with applicable court rules.

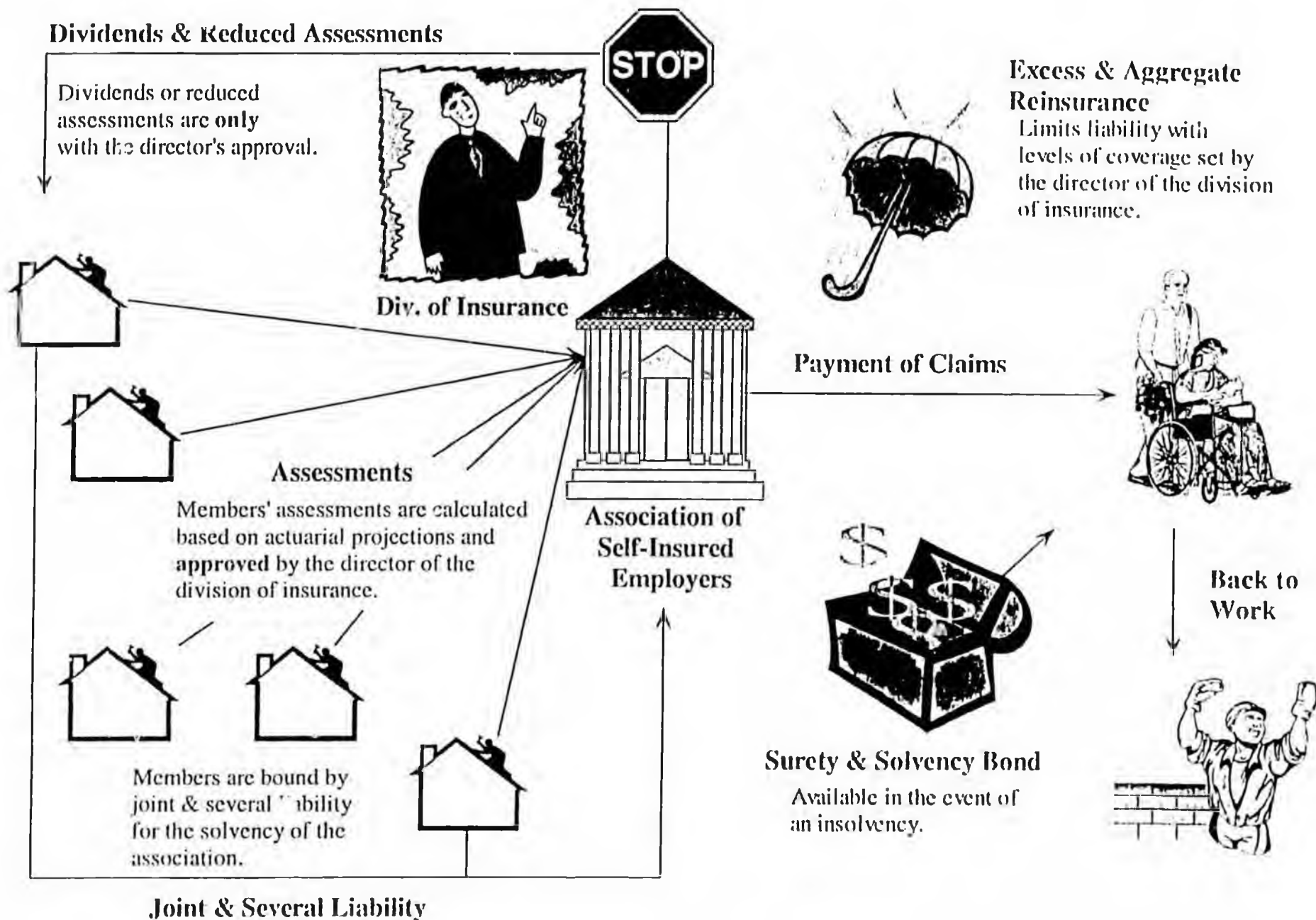
Sec. 21.77.300. This section gives the director authority to adopt regulations to implement the provisions of Chapter 77.

Sec. 21.77.399. This section defines "association of self-insured employers" as an association of employers that has been granted a certificate of self-insurance under Sec. 21.77.010. It defines "third-party administrator" as a person under contract with an association of self-insured employers to administer, from one or more offices in Alaska, all claims for the association arising under AS 23.30 and to maintain records concerning the claims.

Section 2 of the Act provides for an immediate effective date.

CS HB 51 (L&C): How workers' compensation claims are paid.

Prepared by Representative Meyer's Office: 907-465-2812



Employers Self-Insured For Workers' Compensation Liability In Alaska

I. Self-Insured Employers Currently Authorized

Total: 31 Private: 23 Public: 8

Alaska Airlines	Fred Meyer Stores, Inc.
Alaska Communications Systems	General Communications Inc.
Alaska Interstate Construction	Harnish Group (NC Machinery/Power)
Alaska Railroad Corp.	Holland America Line-Westours (Carnival)
Alyeska Pipeline Service Co.	Icicle Seafoods, Inc.
Anchorage Daily News	Kenai Peninsula Borough & SD
(McClatchy Newspapers)	Mat-Su School District
Anchorage School District	Municipality of Anchorage
Arctic Slope Regional Corp.	Nabors Alaska Drilling, Inc.
Bristol Bay Area Health Corp.	Peak Oilfield Service Co.
Chevron/Texaco	Providence Health System
City & Borough of Juneau	Safeway, Inc.
Costco Wholesale Corp.	State of Alaska
Enstar Natural Gas Co.	University of Alaska
Fairbanks Northstar Borough	Unocal Corp.
Federal Express Corp.	Veco Corp.

II. Employees Working for Self-Insured Employers

<u>Total:</u>		<u>Average number of employees per employer:</u>	
2006	75,792	2006	2,445
2005	73,912	2005	2,640
2004	67,403	2004	2,930

<u>% of all covered workers:</u>		<u>% of all injury reports filed:</u>	
2006	26.0%*	2006	N/A
2005	26.0%**	2005	28.1%
2004	25.4%	2004	26.0%

* 2006 based on estimated data

** 2005 based on preliminary data

III. Workers' Compensation Benefits/Costs Paid By Self-Insured Employers

<u>Total:</u>		<u>As percentage of all benefits/costs paid:</u>	
2004	\$56,700,000	2004	24.4%
2003	\$48,570,000	2003	21.8%

IV. Self-Insured Employers - Average Net Worth - Median Net Worth

<u>Average:</u>		<u>Median:</u>	
2006	\$4.997 billion	2006	\$9.971 billion
7 smallest	\$ 55.6 million	7 smallest	\$ 37.2 million



Self-Insured Groups

What is a Self-Insured Group

- Self-Insured Group (SIG) is an organization owned by it's members to collectively self insure workers' compensation liability. To obtain the same self insured status as singly self insured employers, but in a group format.
- A SIG will retain the first layer of risk (\$350,000 to \$750,000 negotiated with excess carrier) and purchase excess insurance to cover the required statutory workers' compensation limits
- Each member must meet the required financial requirements and must produce acceptable Financial Statements or financial information, and continue to furnish them in the future
- Each member must sign a Joint and Several Liability Agreement, essentially pledging the assets of their company for the financial stability of the SIG.
- A SIG is a long term tool to ensure the safety and well being of employees. By employing stringent safety, risk management and control of program expenses, the long term result is continuity and stability of costs and can result in long term savings.



Self-Insured Groups

- The financial stability is secured by:
 - Strict underwriting. This is not a “ya’ll come” type of program. Typically only 30-40% of those that apply to a SIG will initially qualify to become a member. Qualification are based upon historical loss record, safety programs and financial stability.
 - Upon becoming a member, each employer must comply with all safety measures and programs required by the SIG. Included are mandatory training seminars, video training and regular job site evaluations.
 - Must attend claims training sessions where members are instructed in “best practices” on how to best take care of injured workers, assist them in their care and return to work status.
 - Claims oversight management and control. Members play an active role in assisting the management of claims. Proactive management lessens the exposure to malingering claims ensures the fair and proper treatment of injured employees and returning them to work as quickly as possible.
 - Purchase of excess and aggregate insurance coverage for catastrophic (severe) claims or lots of claims (frequency)



Self-Insured Groups

- The financial stability is secured by (continued):
 - Independent Actuarial reviews are done on a regular basis (more than just annually) to project losses over a 5 year period. This allows to SIG to adjust collection of premium assessments to meet the obligations of the SIG more accurately. The most expensive Workers compensation claims are considered a “long tail” type of claims and can take 3-5 years on average to “mature”. The frequent reviews provide the ability to predict trends and costs and allow the SIG to adjust.
 - Monthly financial statements prepared on a GAAP basis provided to board on a fully incurred with IBNR (Incurred But Not Reported projections) reserve basis.
 - Annual independent CPA audits.
 - Annual actuarial audit and rate adequacy audit by independent Actuary.
 - Joint and Several Liability agreement of members remains in place.



Self-Insured Groups

- Concerns or risks with Self Insured Groups:
 - Bankruptcy of one of the members – The group is considered the insurer and the SIG (and remaining members) remains liable for all claims. The members must report financials to SIG administrator annually to ensure qualifications of the group are maintained.
 - Over time, it would be the intent of a group to develop a membership sufficient to ensure that one members demise does not unduly compromise the solvency of the group.
 - Catastrophic claims – What would be the impact. With excess insurance in place, the SIG's liability is mitigated. Additionally with the long tail nature of larger claims and actuarial projections, the group can adjust.
 - What if SIG does become “insolvent” and unable to pay bills as they are due. The SIG would have to assess their members (Joint and Several Liability) to make up any deficit.
 - What if a member has left the SIG. That member remains liable for the time period that they belonged to the SIG. If an assessment was required for the period they belonged, then they would be liable and be assessed (Joint and Several Liability)



Self-Insured Groups

- Concerns or risks with Self Insured Groups (continued):
 - What is the history of SIG's around the nation. Some have gone insolvent.
 - SIG's have been in existence around the nation for over 40 years in over 35 states. Most recently Texas enacted enabling legislation authorizing SIG's. In the early 1980's some SIG's in Florida and Oklahoma experienced problems. More recently a group in Kentucky and a group in Tennessee have been taken over by regulators and assessments have been invoice to members. In all of these cases, while the facts and situations are different, there was generally weak regulatory oversight. Regulators were not seeing financials, actuary reports, audits etc. Subsequently those states have strengthened their regulatory roles.
 - Contrast these several problems over a 40 year time span to the admitted carrier market with all of the "regulations" in place. Literally hundreds of carriers are deemed insolvent each year.

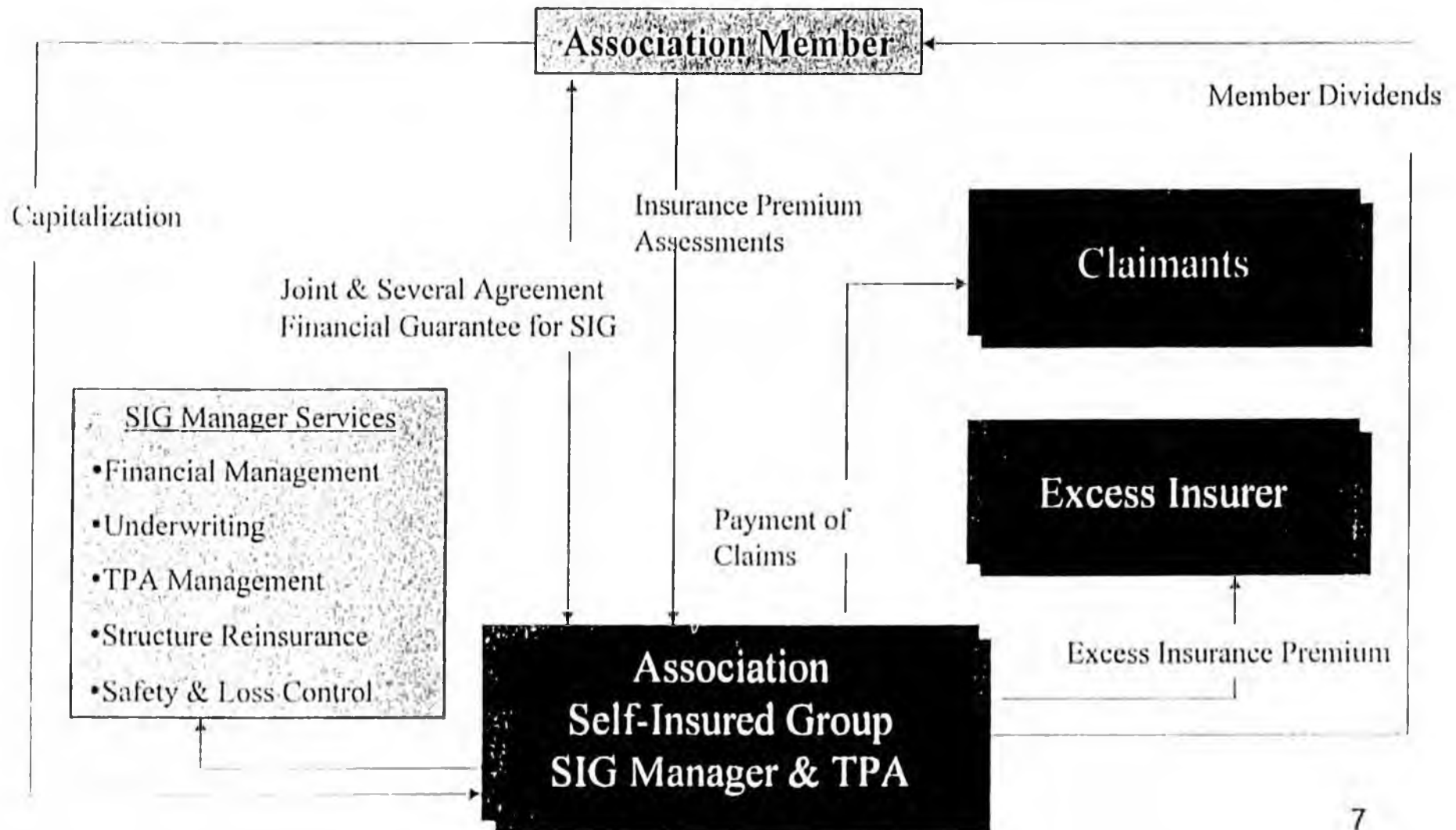


Self-Insured Groups

- Concerns or risks with Self Insured Groups (continued):
 - Why doesn't the industry consider some other alternative – a reciprocal for example.
 - The industry wants the same benefits of singly self insured rather than another type of insurance product.
 - A reciprocal is arguably another type of alternative solution, but is generally regulated the same as an insurance company regarding reserves, financials and rates.



How a Self-Insured Group Operates





Benefits of a Self-Insured Group(Cont'd)

SIG Program:

- "SIG Retention" shared by members ranges between \$350,000 to \$750,000 depending on the class of business
- Excess and Aggregate coverage is placed over the "SIG Retention" for protection of the members and costs depends on the reinsurance market place and the Groups Feasibility Study results
- Member is provided 1st Dollar coverage with Statutory Limits and benefits required by the State of Alaska
- A "Certificate of Coverage" is issued to each member
- Continuous coverage with no annual renewal for the member
- The rate for premiums is calculated based on the Groups and members results
- Underwriting, Loss Prevention, Safety and Claims Management, are key to the groups success
- The reduction of losses, closing claims quickly, results in cost stabilization, and the profits are returned members in dividends or rate reductions

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March 15, 2006

Representative Tom Anderson, Chair
& Members of the House Labor & Commerce Committee
State Capitol
Juneau, Alaska 99801

The Honorable Chairman and Members of the House Labor & Commerce Committee,

The Alaska State Chamber of Commerce strongly supports House Bill 51. HB 51 simply allows for the formation of same trade joint-insurance arrangements; the State Chamber of Commerce supports this additional option, which will hopefully create advantages to those trade groups in lowering their worker's compensation insurance. HB 51 also provides another option for coverage which will likely help those trades or industries that currently have little or no options for worker's compensation insurance coverage.

As you know the Alaska State Chamber of Commerce has worked hard in the past few years to lower the high costs associated with worker's compensation insurance. Through passage of HB 51, we feel that Alaska's businesses will likely gain additional flexibility, while creating new options for worker's compensation insurance coverage. The chamber encourages your constructive work and we are hopeful that the bill will move through the legislative process.

Yours in economic prosperity,

Wayne Stevens, President
Alaska State Chamber of Commerce



ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 SCHOON STREET • ANCHORAGE, ALASKA 99518
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

February 24, 2006

Representative Tom Anderson
Chairman, House Labor & Commerce Committee
Alaska State Legislator
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Re: HB 51

Dear Representative Anderson:

The Associated General Contractors of Alaska supports the concept of group self-insurance for workers compensation as one means by which Alaskan businesses can deal with the high cost of such insurance.

The bill, as drafted, provides protection for injured workers by making all employers within the group jointly and severally liable for claims, requires a safety rate reduction program, and basically requires all interested members of such groups to make a long term commitment to the program. The fear that a faulty business plan may cause some groups to fail thereby leaving injured workers without their benefits is minimized in this legislation. While this risk cannot be totally eliminated, it should be recognized that the problem also exists under the current insurance structure.

The proposed legislation gives businesses another opportunity to control the costs of doing business in Alaska. The safeguards incorporated in the bills seem sufficient to protect injured workers and allow the state to exercise sufficient oversight of participating groups. AGC urges your support of the proposed legislation.

Sincerely,

Richard Cattanaeh



Alaska Chapter

TO: Tom Anderson
Chairman
House Labor and Commerce Committee

FROM: Rebecca Logan
President
ABC Alaska

CC: House Labor and Commerce Committee Members

DATE: February 9, 2006

Chairman Anderson:

Please accept this letter as an endorsement from ABC Alaska for House Bill 51.

As you know the Workers Comp situation for employers in Alaska is not good. HB 51 provides employers in the same industry with the opportunity to pool together for workers comp insurance to lower their premiums without jeopardizing coverage for their workers or putting the state at risk.

Any opportunity to provide Alaska employer's with more options for workers comp insurance without letting the state bear the risk should be encouraged.



**Alaska State
Home Building Association**

February 23, 2006

**Rep. Tom Anderson, chair Labor & Commerce
FAX 465-2418**

Dear Rep. Tom Anderson,

I am writing as President of the Alaska State Home Building Association, representing over 900 members across the state. We support HB 51 "An act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage."

State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers comp. The goal of HB51 is to allow associations to collectively pool employees and assets to achieve the same requirements. ASHBA supports the concept of controlling safety in the work place, and rewarding with lower premiums those businesses who go the extra mile. We also support the concept of finding ways to provide more options in the marketplace for contractors who face burdensome and growing work comp premiums.

Thank you for all your previous help and support of our industry. Please evaluate HB51 based on these concepts, and work with our local building associations to develop a bill that you and your committee can support and pass. Your efforts to help us address worker's compensation insurance costs are greatly appreciated.

I am available to answer any questions you might have by calling me at 907-232-3751

Sincerely,

Tom Smith
President
Alaska State Home Building Association



8301 Schoon, Ste 200 • Anchorage, Alaska 99518
Phone (907) 644-4190 • FAX (907) 522-3757
Website: www.buildersofalaska.com • E-mail: Info@buildersofalaska.com

TOTAL P.01



March 2, 2006

Rep. Tom Anderson, chair Labor & Commerce
FAX 485-2418

Dear Rep. Tom Anderson,

I am writing as President of the Anchorage Home Builders Association, representing over 300 members in Anchorage and Eagle River. We support HB 51 "An act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage."

State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers comp. The goal of HB51 is to allow associations to collectively pool employees and assets to achieve the same requirements. ASHBA supports the concept of controlling safety in the work place, and rewarding with lower premiums those businesses who go the extra mile. We also support the concept of finding ways to provide more options in the marketplace for contractors who face burdensome and growing work comp premiums.

Thank you for all your previous help and support of our industry. Please evaluate HB51 based on these concepts, and work with our local associations to develop a bill that you and your committee can support and pass. Your efforts to help us address worker's compensation insurance costs are greatly appreciated.

I am available to answer any questions you might have by calling me at 907-830-2052.

Sincerely,

President
Anchorage Home Builders Association

"Building Better Places to Live, Work and Play"

ANCHORAGE HOME BUILDERS ASSOCIATION, INC.

8301 Schoon Street, Suite 200 • Anchorage, AK 99518 • (907) 522-3605 • Fax (907) 522-3757



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NECA

ALASKA CHAPTER
1953-2003

March 17, 2006

Rep. Tom Anderson, Chairman
House Labor and Commerce Committee
State Capitol, Room 408
Juneau, AK 99801-1182

FAX 907 465-2418

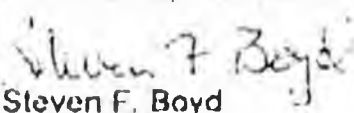
Dear Rep. Anderson,

I am writing on behalf of the members of the Alaska Chapter of the National Electrical Contractors Association ("NECA"). We currently are seeking your support for SSHB 51; "An act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage; and providing for an effective date."

State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers comp. Our goal is to allow associations to collectively pool employees and assets to achieve the same requirements. By working together in a self insurance program we have the best probability of controlling safety in the work place, by rewarding those businesses who go the extra mile with lower premiums.

Workers' compensation is a major expense in any business but especially to small business. These costs have risen substantially in the last few years. The percentage paid compared to our gross income is very high. Any relief to this cost while maintaining workers ability to get medical treatment from a job related injury would be greatly appreciated.

Sincerely,
Alaska Chapter, NECA



Steven F. Boyd
Chapter Manager



March 13, 2006

Rep. Tom Anderson, Chair Labor & Commerce
FAX (907) 465-2418

Dear Rep. Tom Anderson,

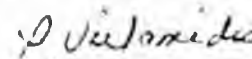
I am writing as the executive director, representing Anchorage Cabaret, Hotel, Restaurant, and Retailers Association (CHARR). We support HB 51 "An act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage."

State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers comp. The goal of HB 51 is to allow associations to collectively pool employees and assets to achieve the same requirements. Anchorage CHARR supports the concept of controlling safety in the work place, and rewarding with lower premiums those businesses who go the extra mile. We also support the concept of finding ways to provide more options in the marketplace for contractors who face burdensome and growing workers compensation premiums.

Thank you for all of your previous help and support in our industry. Please evaluate HB 51 based on these concepts, and work with our local and state associations to develop a bill that you and your committee can support and pass. Your efforts to help us address worker's compensation insurance costs are greatly appreciated.

I am available to answer any questions you might have by calling me at (907) 646-4628

Sincerely,


Silvia Villamides, Executive Director
Anchorage CHARR
PO Box 242023
Anchorage, AK 99524



333 West 4th Avenue, Suite 214
P.O. Box 242023
Anchorage, AK 99524
907.646.4628
anchoragecharr@gr1.net

ALASKA TRUCKING ASSOCIATION

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www.aktrucks.org

February 15th 2005

Representative Tom Anderson
State Capital
Juneau, AK 99801

RE: HB 51


Dear Representative Anderson,

Workers compensation continues to be one of the largest concerns and problems for trucking in Alaska. Companies large and small are faced with increasing rates that can only be attributed to market increases. These companies are faced with extremely limited choices of providers and little alternative to combat the rates continue to increase. These circumstances force small business to operate without or even close their doors.

HB 51 creates the ability for like minded companies to come together to diversify and control risk. The Alaska Trucking Association supports this provision to allow a group or association members to combined to carry the workman's compensation insurance. This will allow for a greater safety presence, ability to control there own pool members resulting in a reduction of the risk of the program. It should provide for long term cost savings and better control of programs fait.

We hope you are able to move this bill forth, this bill provides the new ability of a choice in Alaska where there are so few. It also provides the opportunity for a company to have a fighting chance to determine their own outcome.

Sincerely,
Alaska Trucking Association


Michael Bell
Director



Spinell
HOMES, Inc.

February 9, 2006

Rep. Tom Anderson
Chair, Labor & Commerce

Via Fax No. 465-2418

R7: HB 51

Dear Mr. Anderson;

As a member of the Anchorage Home Builders Association and as a local home builder I am urging your support for House Bill 51.

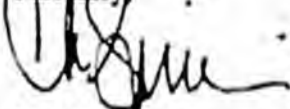
State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers compensation. This is impossible for many businesses, and our goal is to allow associations to collectively pool employees and assets to achieve these requirements.

Currently we are at the mercy of regional workers compensation rates. By working together in a self insurance program, not only do we have the best probability of controlling safety in the work place, but we will have the ability to reward those businesses who go the extra mile in safety with lower premiums.

Not only is this bill good for our communities, it will also benefit our economy. Lower premiums for businesses means employers will be able to provide better benefits and pay to their employees.

If you would like to discuss this further please feel free to contact me at 344-5678. Again, I would greatly appreciate your support of HB 51.

Sincerely,



Charles Spinelli



WORKERS COMP RATES

CLASS	2002 RATES	2006 RATES
5610	\$ 8.11	\$10.66
5645	\$13.45	\$27.93
6217	\$ 9.53	\$19.52
8742	\$.61	\$ 1.44
8810	\$.56	\$ 1.23

YEAR	EMPLOYEES	TOTAL AMOUNT
2002	60	\$ 77,512.00
2003	70	\$199,011.00
2004	85	\$294,287.00
2005	85	\$323,738.00



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Anchorage, Alaska 99503
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(907) 563-8478 Fax

March 3, 2006

**Rep. Tom Anderson, chair Labor & Commerce
FAX 485-2418**

Dear Rep. Tom Anderson,

I am writing as the Executive Officer representing the Anchorage Board of REALTORS. We support HB 51 "An act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage."

State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers comp. The goal of HB51 is to allow associations to collectively pool employees and assets to achieve the same requirements. The Anchorage Board of REALTORS supports the concept of controlling safety in the work place, and rewarding with lower premiums those businesses who go the extra mile. We also support the concept of finding ways to provide more options in the marketplace for contractors who face burdensome and growing work comp premiums.

Thank you for all your previous help and support of our industry. Please evaluate HB51 based on these concepts, and work with our local and state associations to develop a bill that you and your committee can support and pass. Your efforts to help us address worker's compensation insurance costs are greatly appreciated.

Should further information be required, please call Cody Gibson, President of the Board of Directors (907) 273-7272

Sincerely,

**Kay DuBois
Executive Officer
Anchorage Board of REALTORS**





February 23, 2006

Dear Representative Tom Anderson,

We would appreciate your support on passing HB-51.

Workman's Comp Insurance as it is now structured is a prohibitive drain on small business. Our company has been in business for the last 25 years. In that period of time we have had one small claim, which was approximately 6 years ago. Over the years our premium has gone up from approximately \$6,000 per annum. to over \$27,000 per annum.

Please support HB-51 to enable us to have another source of Workman's Compensation Insurance.

Sincerely,

A handwritten signature in black ink, appearing to read "Alfred J. Romaszewski".

Alfred J. Romaszewski
Broker

RE/MAX of Eagle River, Inc.
18600 Centerfield Dr., Suite 201
Eagle River, Alaska 99677
Office: (907) 694-4200
Fax: (907) 696-0214