

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2818

liability provisions, if one member suffers a substantial loss, one or more employers in the group can declare bankruptcy and seek protection under federal bankruptcy law, leaving the rest of the pool members to pay claims.

- **Problems for insurance regulators:** The proposals allow any variety of under funded self-insurance pools to form. Funding requirements are similar whether the group stocks grocery shelves or sets dynamite charges, and the Director has little ability to prevent the failure of such under funded groups.
- **Problems for injured workers:** The Alaska insurance code includes statutes designed to protect insurers and consumers – to make sure insurers compete fairly, and to make sure insurers have set aside sufficient reserves to pay claims. If those statutes and regulations are necessary for insurance companies, why are they not necessary for self-insurance pools? More specifically, how well can an injured worker expect to be treated by a self-insured group's third party administrator when that worker's injury threatens the very existence of the entire group? For example, one Alaska insurer presently has a reserve of \$7.7 million for one claim. This single claim would exceed the entire \$5 million minimum net worth requirement under HB 51 for an entire group.
- **Problems for insured employers:** If dozens of Alaska companies choose to cancel their workers compensation policies they have today and join a self-insurance pool, rates for those companies that remain with established, regulated, secure insurers are likely to see premiums rise, as the market for traditional workers compensation coverage shrinks.
- **Problems for the state budget:** Under the proposed bills, any group of employers with a total of 100 or more employees in the aggregate can form a self-insurance pool, without regard to risk or claims experience, and with limited funding requirements. But system costs do not change simply because members of the self-insured pool are charged less in premiums. Therefore, a failure of one or more of these pools is virtually inevitable. Who will step in to pay the claim of a married 22-year old father of three who has suffered a workplace injury that leaves him unable to work for the rest of his life? There is no backstop anticipated in this legislation. Recourse will likely be state government.

PCI urges you to oppose CS HB 51 and SB 241.



PCI Comments on proposed Alaska HB 51 (CS) and SB 241 March 28, 2006

1. Self-insurance is a viable alternative to traditional risk financing options but only if necessary checks and balances are included in statute to protect workers, employers and the state budget.
2. A group self-insurance program can provide its members a number of both advantages and disadvantages when compared to traditional insurance programs.
3. The inherent nature of self-insured group programs require specific controls in law to protect the public, injured workers, employers, and the state. The inherent differences between industries means a "one size fits all" approach is dangerous. Review and approval of each program by the Director is essential to success.
4. Specific and detailed controls must exist in the areas of:
 - a. Minimum financial requirements to establish and maintain a viable group program;
 - b. Selection, screening and evaluation of initial membership, establishment of group standards, and ongoing evaluation of member compliance;
 - c. Group structure formation, bylaws, procedures and standards, including the determination of the program administrator, delivery of professional services such as accounting, actuarial, claims administration, risk management, and premium audit services;
 - d. Financial responsibilities of the group for the establishment of adequate funds for the payment of claims and services.

Following are comments to the key provisions of the current version of HB 51:

Sec. 21.77.010 – Self Insurance Certificates

1. The proposed legislation requires 100 employees in the aggregate but fails to require specific minimums established by member, number of employees, premium size, years in business, or loss experience. These criteria, established by rule, are essential.
2. A net worth of at least \$5,000,000 in the aggregate will be grossly inadequate for some groups based on the size of the group or the business classifications to be included.
 - a. The initial minimum net worth requirements and subsequent levels should be established by and be subject to the approval of the director;
 - b. The net worth requirements should be adjusted to vary by the size of the group – as the group grows, a provision should be included that would require the net worth of the group to grow accordingly;
3. How are individual members screened and evaluated to assure that they have sufficient net worth given the jointly and severally liable provisions?
4. How are individual members screened and evaluated to assure that they have adequate safety programs in place?

Sec. 21.77.020 – Excess insurance, reinsurance contracts, surety and solvency bonds

1. The tangible net worth of all members in the association of at least \$5,000,000 may not be adequate based on the group membership and type of business.

- a. The current language provides only the statement of "at least \$5,000,000" but makes no provision for increasing the minimum amount based on the size of the group or any other factors that the director believes to be relevant;
 - b. The language also states that the group members may provide a solvency bond in a form prescribed by the director, but does not provide the means for the director to:
 - set minimum financial rating requirements of the insurance carrier providing the surety bond, nor
 - specify the amount of the surety bond if the director determines the amount should be greater than \$5,000,000 to protect the public interest including employees, injured workers, employers, and the state of Alaska.
2. Section (e) provides the authority for the director to increase or decrease the amount of the bond, but only in accordance with requirements for loss reserves in casualty insurance.
 - a. The director should not be limited by such restrictive language;
 - b. The director should be required to increase or decrease the amount of the bond or monetary deposit based on all relevant factors affecting the financial ability and stability of the group to pay compensation claims and group expenses.

Sec. 21.77.070 -- Financial responsibilities

1. The use of 65 percent of the annual assessment for the claim account may not be adequate for some groups. The amount to be set aside should be determined by an actuarial review of members' experience, and should be subject to review and approval by the director.
2. The 65 percent is insufficient to cover the cost of claim payments, **AND** expenses related to claims, **AND** costs of excess insurance, **AND** assessments and penalties to the Subsequent Injury Account and the Uninsured Employers' Claim Account for all groups. These amounts must be subject to review and approval by the director.
3. The minimum amount in the claim account should be established by the director and should be available to cover claim and specific claim related expenses, and should not be tapped to cover other operating costs.
4. If the 35 percent set aside in the administration account is not sufficient to cover the expenses of its programs for loss control and occupational safety, the group should not be allowed to access the claim fund, and the additional amounts required should be assessed its members.
5. The claim account should be maintained at actuarially sound levels to protect the injured workers, insuring that funds will be available to pay for lost wages, injuries, and medical expenses. An annual certification of the claim accounts' adequacy of each group by an actuary approved by the director is a necessary requirement.
6. Section (d) allows the board of directors to invest without restrictions. Investments should be of a type acceptable to the director and specified by rule.

Sec. 21.77.090 -- Termination and cancellation of membership

1. Stability of the group should be encouraged. There are no requirements that employers maintain membership for a specified minimum period of time.
2. There are no specified cancellation/renewal policies relating to the ongoing financial strength, commitment to safety, or loss experience of individual members.
3. There are no detailed policies or procedures relating to penalties that may apply for early exit by a member from the program.

Sec. 21.77.110 – Liability for compensation obligations of members

1. An important feature required for group self-insurance is what happens in the case of insolvency or bankruptcy. Although this section confirms the joint and several liability binding each member, other requirements must be addressed for the following contingencies:
 - a. The remaining members of the group have insufficient net worth to meet the minimum net worth requirements established by the director, and/or
 - b. The insolvency or bankruptcy of one or more members of the group results in the inability of the remaining members to meet the group's financial obligations.
2. What financial protections exist for the injured worker to assure that compensation claims will be paid in full?
 - a. Will the state of Alaska be required to pay?
 - b. Or, will the injured worker be left without any recourse?
3. Due to the joint and several liable provisions, the financial strength of each member needs to be thoroughly screened and evaluated initially and ongoing by the director according to requirements specified by rule.

Sec. 21.77.150 – Statement of financial condition

1. The provisions provide for an audited statement prepared in accordance with generally accepted accounting principles. To assure adequacy of the separate accounts and in particular the adequacy of the claim account, statutory accounting principles must be applied.

CONCLUSION

Group self-insurance is a viable option to traditional insurance coverage, but only when necessary elements are in place to protect employees, employers, and the citizens of Alaska. Current regulations allow for the formation of reciprocal insurance carriers that allow for the creation of self-insured groups while at the same providing necessary controls. The CS for HB 51 (L&C) creates a statutory "one size fits all" program with minimal input from the Director. It does not provide even a bare minimum level of financial or operational control required for a successful group self-insurance program and would needlessly endanger the welfare of workers and put the financial health of insurers and the state's economy at risk.

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. 21.77.220. 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.

4-7-06

Adopted

24-LS0233X.1

Bailey

4/4/06

AMENDMENT

1 Meyer

OFFERED IN THE HOUSE

TO: CSSSHB 51(L&C)

- 1 Page 2, line 11, following "AS 23.30":
- 2 Insert "and the solvency of the association of self-insured employers"

adopted as amended

4-7-06

AMENDMENT

2

OFFERED IN THE HOUSE

TO: CSSH B 51(), Draft Version "C"

1 Page 5, line 27, following "assessment":

2 Insert "of not less than \$200,000 in the aggregate and not less than \$10,000"

3

4 ~~Page 5, line 28:~~

5 ~~Delete all material.~~

6 ~~Insert ":",~~

Delete

See pg 5 CS

adopted 4-7-06

24-LS0233C.2
Bailey
4/6/06

AMENDMENT

3

Meyer

OFFERED IN THE HOUSE

TO: CSSSHB 51(), Draft Version "C"

- 1 Page 2, line 1:
- 2 Delete "\$5,000,000"
- 3 Insert "\$10,000,000"
- 4
- 5 Page 6, line 9:
- 6 Delete "\$5,000,000"
- 7 Insert "\$10,000,000"
- 8
- 9 Page 6, line 11:
- 10 Delete "\$5,000,000"
- 11 Insert "\$10,000,000"

adopted 4-7

24-LS0233C.3
Bailey
4/6/06

AMENDMENT

4 Meyer

OFFERED IN THE HOUSE

TO: CSSH B 51(), Draft Version "C"

- 1 Page 6, line 18, following "employers":
- 2 Insert "shall be registered under AS 21.27.630 - 21.27.660 and"

Adopted 4/7/06

AMENDMENT

5 Meyer

OFFERED IN THE HOUSE

TO: CSSH 51(), Draft Version "C"

1 Page 12, line 23, following "chapter":

2 Insert ", except that an association of self-insured employers shall be considered an
3 insurer for purposes of ~~AS 23.05.067~~ AS 23.30"

5 Page 16, following line 7:

6 Insert new bill sections to read:

7 *** Sec. 2. AS 23.05.067(a) is amended to read:

8 (a) Each insurer providing workers' compensation insurance, each association
9 of self-insured employers, and each employer who is self-insured or uninsured for
10 purposes of AS 23.30 in this state shall pay an annual service fee to the department for
11 the administrative expenses of the state for workers' safety programs under AS 18.60
12 and the workers' compensation program under AS 23.30 as follows:

13 (1) for each employer or association of self-insured employers,

14 (A) except as provided in (b) of this section, the service fee
15 shall be paid each year to the department at the time that the annual report is
16 required to be filed under AS 23.30.155(m) or (n); and

17 (B) the service fee is 2.9 percent of all payments reported to the
18 division of workers' compensation [ALASKA WORKERS'
19 COMPENSATION BOARD] under AS 23.30.155(m) or (n), except second
20 injury fund payments; and

21 (2) for each insurer, the director of the division of insurance shall,
22 under (e) of this section, deposit from funds received from the insurer under
23 AS 21.09.210 a service fee of 1.82 percent of the direct premium income for workers'

1 compensation insurance received by the insurer during the year ending on the
2 preceding December 31, subject to all the deductions specified in AS 21.09.210(b).

3 * Sec. 3. AS 23.05.067(b) is amended to read:

4 (b) An employer or association of self-insured employers who is required to
5 pay an annual service fee under (a) of this section may elect to pay in yearly
6 increments over a five-year period the portion of the service fee due under (a) of this
7 section as a result of a settlement of over \$50,000 approved under AS 23.30.012. An
8 election under this subsection must be made in the first year that a service fee would
9 be due as a result of the settlement. The employer or association of self-insured
10 employers shall notify the department of an election under this subsection. If an
11 election is made, payment of each yearly increment that is due shall be made at the
12 time the annual report is required to be filed under AS 23.30.155(m) or (n).

13 * Sec. 4. AS 23.05.067(d) is amended to read:

14 (d) If an employer or association of self-insured employers who is required
15 to pay an annual service fee under this section does not pay the required amount of the
16 service fee by the time specified in this section, the employer or association of self-
17 insured employers shall pay a civil penalty of \$100 for the first day the payment is
18 late and \$10 a day for each additional day the payment is late. The civil penalty under
19 this subsection is in addition to any civil penalties imposed for late filings of reports
20 under AS 23.30.155(m).

21 * Sec. 5. AS 23.05.067(h) is amended to read:

22 (h) The department shall grant a credit against the service fee imposed under
23 (a)(1) of this section to an employer or association of self-insured employers if (1)
24 the employer or association of self-insured employers applies to the department for
25 the credit on a form prescribed by the department; (2) the employer or association of
26 self-insured employers provides proof that the employer or a member of the
27 association of self-insured employers has paid a premium tax imposed under
28 AS 21.09.210 on an insurance policy; and (3) workers' compensation claims have been
29 paid under the insurance policy described in (2) of this subsection and the claims are
30 subject to the service fee imposed under (a) of this section. The credit allowed under
31 this subsection is equal to the amount of the premium tax paid by the employer or by

1 a member of the association of self-insured employers under the insurance policy,
2 may not exceed the service fee imposed under (a) of this section, and only applies to
3 premium taxes paid by the employer on or after January 1, 2000, or by a member of
4 the association of self-insured employers on or after the effective date of this bill
5 section."

6

7 Renumber the following bill section accordingly.

HB

51

SFIN

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

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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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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: 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						
-----------------------------	--	--	--	--	--	--

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.

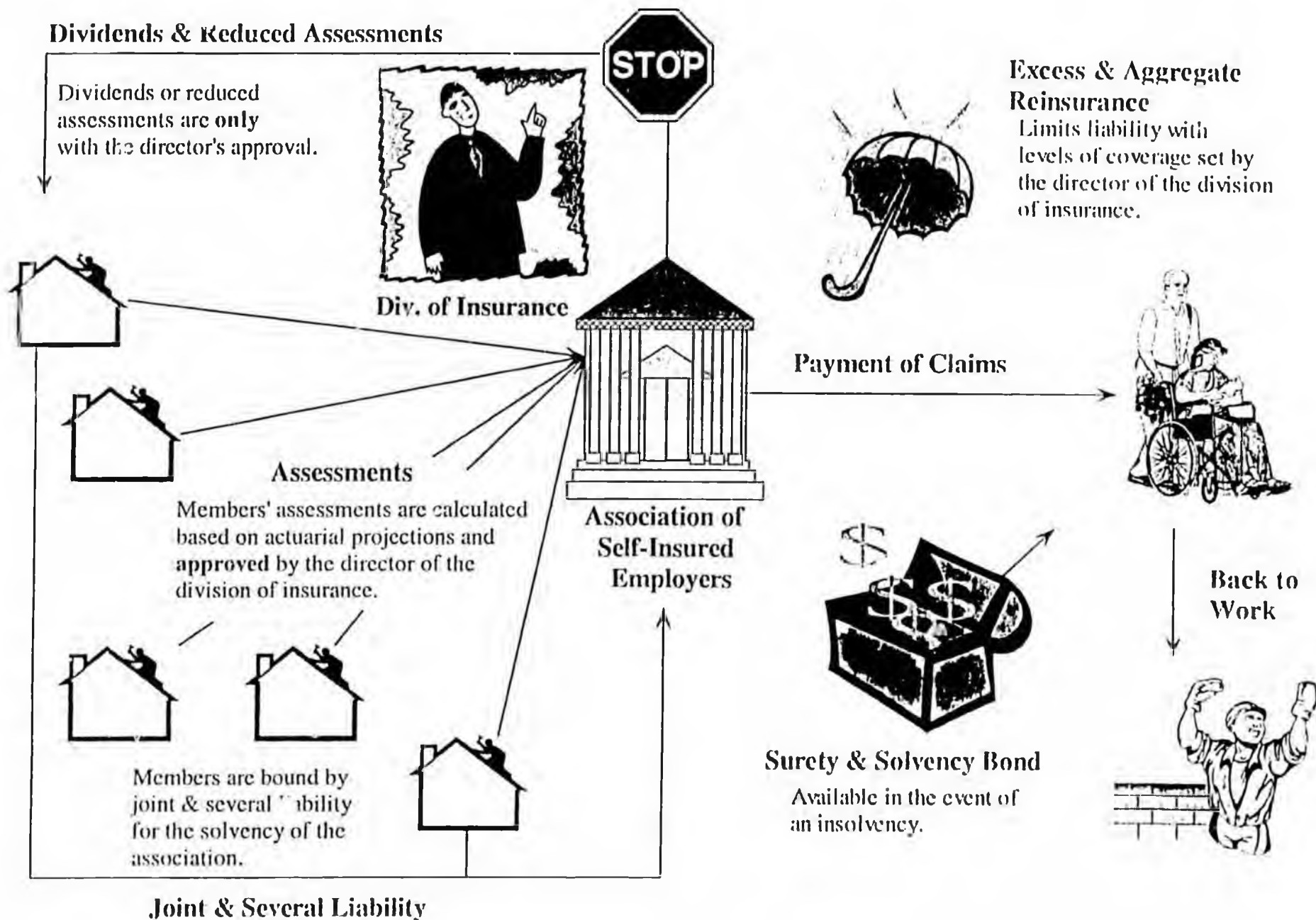
Sec. 21.77.300. This section gives the director authority to adopt regulations to implement the provisions of Chapter 77.

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

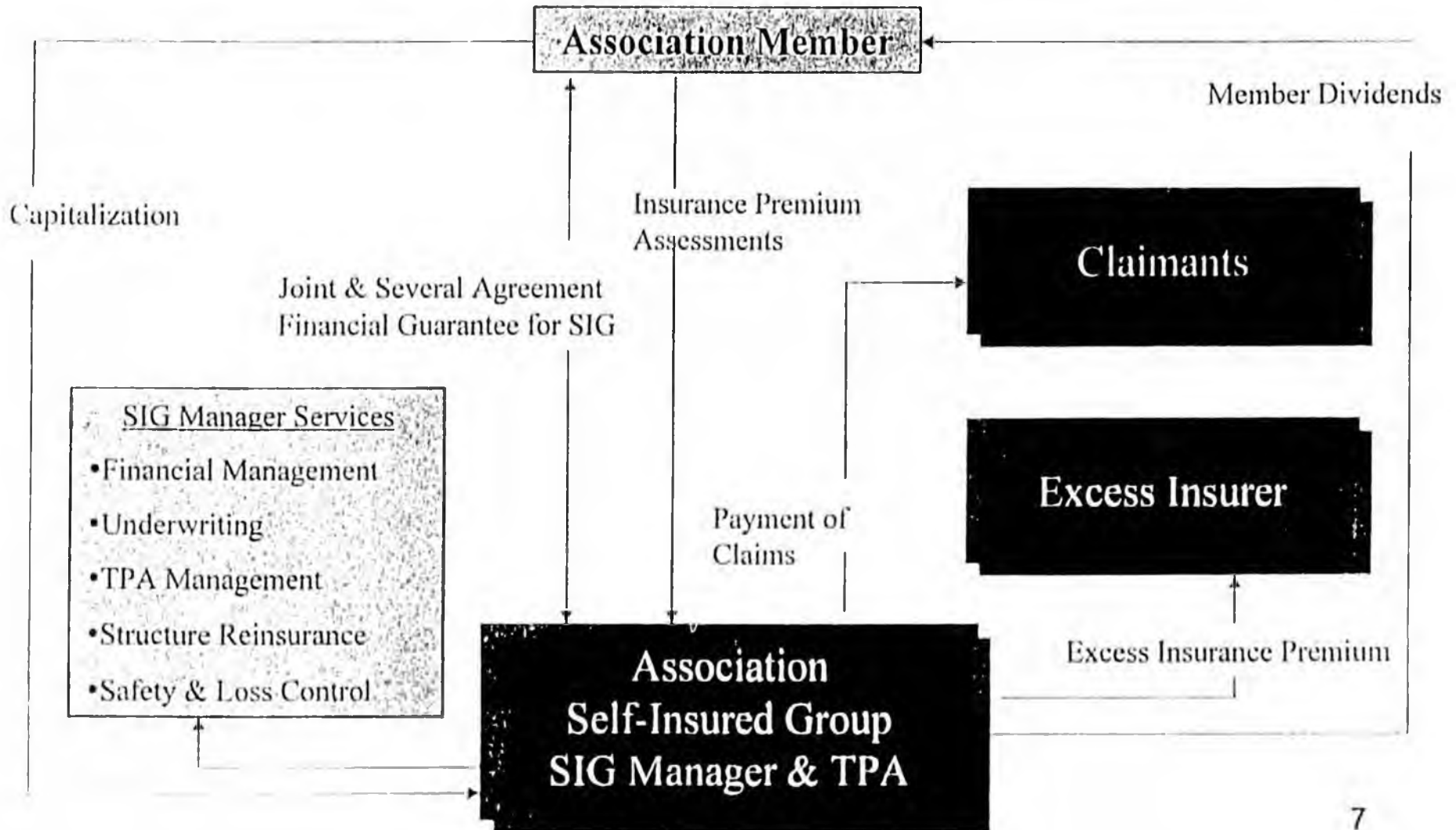


Self-Insured Groups

- 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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ALASKA
★ STATE ★
CHAMBER
OF COMMERCE

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.

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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

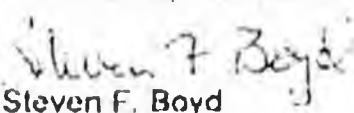
Dear Rep. Anderson,

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,

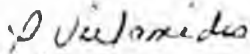
I am writing as the executive director, representing Anchorage Cabaret, Hotel, Restaurant, and Retailers Association (CHARR). We support HB 51 "An act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form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

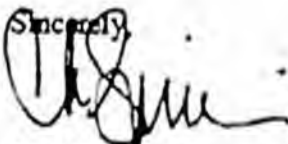
State law currently requires a business to have 100 employees and net assets of \$5 Million to be able to self insure for workers compensation. This is impossible for many businesses, and our goal is to allow associations to collectively pool employees and assets to achieve these requirements.

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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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

HB

53

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSSS HB53 (FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to child in need of RDU Legal and Advocacy Services
aid proceedings;... Component Public Defender Agency
 Sponsor Reps. Coqhill, Ramras,...
 Requester House Finance Component No. 1631

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	54.3	54.3	54.3	54.3	54.3	54.3
Travel	2.4	2.4	2.4	2.4	2.4	2.4
Contractual	18.0	18.0	18.0	18.0	18.0	18.0
Supplies	1.3	1.3	1.3	1.3	1.3	1.3
Equipment	6.7	0.7	0.7	0.7	0.7	0.7
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	82.7	76.7	76.7	76.7	76.7	76.7

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	82.7	76.7	76.7	76.7	76.7	76.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	82.7	76.7	76.7	76.7	76.7	76.7

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

CSSS HB53(JUD) is an omnibus bill significantly changing the child protective statutes (CINA) and in some instances the adoption and guardianship statutes. The portions of the bill having a fiscal impact on the operations of the Public Defender Agency will be discussed on the following page

Prepared by: Linda K. Wilson, Deputy Director Phone (907) 334-4416
 Division: Public Defender Agency Date/Time 4/27/05 7:25 AM
 Approved by: Michael Tibbles, Deputy Commissioner Date 4/27/2005
 Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSS HB 53 (JUD)

ANALYSIS CONTINUATION

Fiscal Note Analysis for SS HB 53: (continued)

Various Sections of this bill change statutes and court rules concerning confidentiality in child protective proceedings (CINA). CINA hearings will be presumptively open to the public, unless the court orders otherwise, based upon a motion to close it under certain circumstances enumerated in the bill. The Agency opens over 900 new child protective proceedings a year. It is anticipated that in a significant number of the Agency's cases the attorney will be repeatedly moving to close hearings. This additional motion practice will also require service on a member of the public who has requested notice. It is further anticipated that disputes over interpretation and implementation of this legislation will occur. This increase in workload necessitates an increase in operating costs amounting to a half-time attorney position, factoring in support staff. The additional operating costs to address the increased workload are based on attorney and support staff hours in Anchorage, where the bulk of these cases are handled.

Other provisions of the bill will have a fiscal impact on the Agency as well, but the extent of the impact cannot be predicted with any accuracy. In various sections of the bill it provides for family members or friends to request and obtain a review hearing of denied visitation, denied temporary placement, or a denied adoption placement request. While these identified people are not considered parties who would be entitled to the appointment of counsel, if indigent, Agency attorneys representing parents in these cases will likely be involved or need to attend these requested review hearings. In addition, the bill provides for additional review hearings in guardianship, termination, and adoption proceedings when a parent voluntarily relinquishes their parental rights but retains privileges, like visitation or contact, and seeks enforcement or modification of the retained privilege, or in some termination instances vacation of the termination order. These additional hearings will result in a fiscal impact to the Agency, but again, the extent cannot be predicted with any accuracy.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CS SS HB 53 (JUD)

ANALYSIS CONTINUATION

(continued from page 1)

and also provides parental representation for the parents where the Public Defender Agency has a conflict. In essence, every CINA case is the equivalent of two cases to OPA if not more (in cases where there are more than two parents). This representation for both children and parents is provided by staff attorneys and GALs, as well as contractors in areas of the state where OPA has no staff or where OPA staff have a conflict. It is anticipated that in a significant portion of OPA's cases the attorney representing either the child or parent will move to close the hearing. Prior to doing this, an investigation must be conducted up front to determine if an open hearing would be detrimental to the child's best interests. In addition, any motion practice regarding hearing closure must be served on any member of the public who has requested notice. It is further anticipated that disputes over interpretation and implementation of this legislation will occur. This increase in workload necessitates an increase in operating costs amounting to one full time attorney (a half-time attorney for child advocacy and a half-time attorney for parental advocacy), factoring in a third of a support staff member. The additional operating costs to address the increased workload are based on attorney and support staff hours in Anchorage, where the bulk of these cases are handled. Finally, contractors will bill additional hours for investigation, motion practice, and motion service regarding hearing closures. Additional contract funds have also been included. The costs for these confidentiality sections would be 161.3 the first year and 156.2 thereafter.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB053CS(FIN)-DHSS-OCS2-04-20-05

() Publish Date: _____
Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction): _____
Title: RELATING TO CHILD-IN-NEED-OF AID MATTERS

RDU: Children's Services
Component: Children's Services Management

Sponsor: COGHILL
Requester: HOUSE (FIN)

Component No.: 2666

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	71.9	71.9	71.9	71.9	71.9	71.9
Travel						
Contractual	70.8	10.8	10.8	10.8	10.8	10.8
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	142.7	82.7	82.7	82.7	82.7	82.7

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

CHANGE IN REVENUES (0)						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	142.7	82.7	82.7	82.7	82.7	82.7
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	142.7	82.7	82.7	82.7	82.7	82.7

Estimate of any current year (FY2005) cost: _____
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

CSSSIB 53 is an omnibus bill that incorporates a number of changes to the Child-in-Need-of-Aid (CINA) statutes. Changes that may have fiscal impact on the Department's Office of Children's Services (OCS) budget are summarized below.

Confidentiality

Various amendments and additions in this bill are similar to those included in SB 84 that allow public access to CINA proceedings and confidential information.

con't on page 2

Prepared by: Jimmy Sandoval, Acting Deputy Commissioner Phone: 465-3191
Division: Office of Children's Services Date/Time: 04/20/2005
Approved by: Joel S. Gilbertson, Commissioner Date: 04/26/2005
Agency: Department of Health and Social Services

FISCAL NOTE
FN #

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB053CS(FIN)-DHSS-OCS2-04-26-05

ANALYSIS CONTINUATION

Confidentiality - Analysis Con't

Should either bill become law, the Department anticipates that increase in public concern and requests for information will necessitate an additional position within the OCS to assist in the effort to respond in a timely manner. This position would be an Associate Coordinator, Range 18, under the current Program Coordinator for Community Relations at a cost of \$71.9 per fiscal year for salary and benefits with 15% service costs for a total of \$82.7 in general funds.

Sec. 46. Notification of Status of Investigations

Section 46 requires that when a person makes a report of harm and requests notification of the status of the investigation, OCS provide the status without disclosing confidential information. Because the OCS case management system (ORCA) does not now capture all addresses and does not report on the required data, system changes at a one-time cost of approximately \$60.0 would be required. These reports are not federally mandated and therefore not eligible for federal match.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSSHB53(Fin)-DHSS-OCS-05-27-05
() Publish Date: _____

Revision Date/Time (Note if correction) Rev 4/27/05 12:15p

Dept. Affected: Health & Social Services

Title RELATING TO CHILD-IN-NEED-OF AID MATTERS

RDU Children's Services

Component Front Line Social Workers

Sponsor COGHILL

Requester HOUSE (FIN)

Component No. 2305

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	33.7	33.7	33.7	33.7	33.7	33.7
Travel	28.0	28.0	28.0	28.0	28.0	28.0
Contractual	2.0	2.0	2.0	2.0	2.0	2.0
Supplies	0.6	0.6	0.6	0.6	0.6	0.6
Equipment	41.9					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	106.2	64.3	64.3	64.3	64.3	64.3

CAPITAL EXPENDITURES						
CHANGE IN REVENUES (0)						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	106.2	64.3	64.3	64.3	64.3	64.3
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	106.2	64.3	64.3	64.3	64.3	64.3

Estimate of any current year (FY2005) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

CS HB 53 is an omnibus bill that incorporates a number of changes to the Child-in-Need-of-Aid (CINA) statutes. Changes that may have fiscal impact on the Office of Children's Services (OCS) budget are summarized below:

Section 13 provides that if a parent or family member of a child in state custody is denied visitation, the department will inform the parent or family member as to the reason for the denial and their right

Con't on page 2

Prepared by: Tammy Sandoval, Acting Deputy Commissioner
Division: Office of Children's Services
Approved by: Joel S. Gibbetson, Commissioner
Agency: Department of Health and Social Services

Phone: 465-3191
Date/Time: 04/26/2005
Date: 04/27/2005

FISCAL NOTE

FN #

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSH53(Fin)-DHSS-OCS-05-27-05

ANALYSIS CONTINUATION

to request a review hearing. The OCS believes there would be an increase in staff time required for hearing preparation and court time, but no data upon which to estimate the fiscal impact is available. Visitation denials are not tracked.

Section 38 provides that the department shall serve as staff to the Citizen Review Panel. The estimated cost to provide this support is:

.5 FTE staff support for CRP (Range 16)	\$33.7
Travel for 10 CRP members for 4 meetings	
Fairbanks	\$ 8.0
Anchorage x2	\$10.0
Juneau	\$10.0
Teleconferences (4)	\$ 2.0
Supplies (brochures, flyers, paper)	\$.6

Total	\$64.3

Section 49 provides that an interview of a child conducted as a result of a report of harm may be audiotaped or videotaped. When an interview concerns a report of sexual abuse by a parent or caretaker, the interview shall be videotaped unless it is not feasible to do so or unless the interview further harms the child. OCS estimates a need for video taping and viewing equipment in each of its 30 offices as follows:

	# needed	Pkg	Cost per	Ext
Camcorders w/ case, tripod, batteries & charger	30		815	24.6
Audio recorders w/ additional memory	30		269	8.1
Discs	3,500	150	75	.2
DVD players and monitors	30		300	9.0
Total				41.9

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB53(FIN)-LAW-HS-4
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: LAW
Title: "An Act relating to child-in-need-of-aid
proceedings..." RDU: CIVIL
Sponsor: Representative Cochill Component: Human Services
Requester: House Finance Component No.: _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	484.0	484.0	484.0	484.0	484.0	484.0
Travel	1.2	1.2	1.2	1.2	1.2	1.2
Contractual	57.0	57.0	57.0	57.0	57.0	57.0
Supplies	7.5	7.5	7.5	7.5	7.5	7.5
Equipment	36.7	36.7	36.7	36.7	36.7	36.7
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	586.4	586.4	586.4	586.4	586.4	586.4

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
1002 Federal Receipts						
1003 GF Match						
1004 GF	586.4	586.4	586.4	586.4	586.4	586.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	586.4	586.4	586.4	586.4	586.4	586.4

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

POSITIONS	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Full-time	4	4	4	4	4	4
Part-time	1	1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This bill amends AS 47.10 (Children in Need of Aid). Passage of this legislation will impact the Department of Law in two ways.

1. It changes statutes that apply to confidentiality of child in need of aid matters. Longstanding policies, practices and procedures of every agency and branch of government involved in child welfare protection will be altered. As a result it is anticipated that disputes will arise over the interpretation and implementation of this legislation. The additional operating costs to resolve such disputes are estimated based on 400 additional attorney hours per year at a cost of \$49,696. Half of an attorney position is also requested in conjunction with the funding to allow the Department to add a part time attorney to handle the increased caseload.

Prepared by: Kathryn Daughhete, Director Phone: 465-3673
Division: Administrative Services Division Date/Time: 4/27/05 12:16 PM
Approved by: Kathryn Daughhete for David Marquez, Attorney General Date: 4/27/2005
Agency: Department of Law

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSHB53(FIN)-LAW-HS-4

ANALYSIS CONTINUATION

2. It allows a parent, family member, or guardian who is denied visitation rights the right to request a review hearing thereby increasing the number of hearings attorneys must prepare for and attend. It includes a relative preference for adoption but adds three reasons why adoption may be denied to the relative. These sections will give rise to a number of contests and good cause findings. Taken together, these sections will cause an increase in the caseload that will add another 2 days of work to each CINA attorney's schedule and 1 day of work for each paralegal. This is a conservative estimate based on the assumption that some issues will be worked out early on in the placement process. That will cost \$536,759 which will fund 2.5 additional attorneys, 1 paralegal, and 1 law office assistant.

These costs are based on the Department of Law FY 2006 timekeeping and billing rate of \$107.99 per hour for attorneys and \$81.07 per hour for paraprofessionals. This rate includes overhead costs for leased space, office supplies, and 1 support staff (included in the position count and impact above) and \$6,500 per new position for one time costs for office furnishings and computer equipment.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSSHB 53 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
Title Child in Need of Aid/Review Panels BRU Alaska Court System
Component Trial Courts
Sponsor Representative Coghill
Requester _____ Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	83.6	83.6	33.6	83.6	83.6	83.6
Travel	5.3	5.3	5.3	5.3	5.3	5.3
Contractual						
Supplies	6.0	2.8	2.8	2.8	2.8	2.8
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	94.9	91.7	91.7	91.7	91.7	91.7

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	94.9	91.7	91.7	91.7	91.7	91.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	94.9	91.7	91.7	91.7	91.7	91.7

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary	4	4	4	4	4	4

ANALYSIS: (Attach a separate page if necessary)

CSSSHB 53 (FIN) makes several changes to the statutes that govern Child in Need of Aid (CINA) proceedings. Most of those changes reflect a policy to presumptively open most CINA proceedings, and agency actions and records. Of particular interest to the court system are those sections that relate to court hearings. Under the bill, most CINA hearings will be open to the public unless a party files, and the court grants, a motion to close all or a portion of a hearing. An interested member of the public may notify the court and the parties that he or she would like to be served with any petitions to close. Additionally, if the court is considering closing a hearing out of concern that an open hearing might interfere with a criminal investigation then the court is to notify the criminal justice agency conducting the investigation and provide it with an opportunity to be heard. (Continued on page 2)

Prepared by: Doug Wooliver, Administrative Attorney Phone 907-463-4750
Division: Alaska Court System Date/Time 4/27/05 9:22 AM
Approved by: Doug Wooliver for Stephanie Cole, Administrative Director Date 4/27/2005
Agency: Alaska Court System

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSSHB (FIN)

ANALYSIS CONTINUATION

Each year the court system receives roughly 1,200 new CINA cases and 200 petitions to terminate parental rights. Both the Public Defender Agency and the Office of Public Advocacy, who represent the parties in these cases, anticipate filing motions to close in a significant percentage of these cases. This fiscal note reflects additional judicial and clerical time associated with ruling on motions to close, closing and then reopening hearings where only a portion of a hearing needs to be closed, notifying law enforcement agencies in those cases where closure is needed to protect a criminal investigation and clerical work associated with data input and scheduling changes. Specifically, this note asks for four months of a part-time court clerk in Anchorage and two months of part-time clerks in both Bethel and Fairbanks and corresponding pro tem time for judge. in those same locations.

N/0.
adopted 4/22/05

24-LS0251\N
Mischel
4/21/05

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 53()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

amendment on Page 22 line 15

Offered:
Referred:

Sponsor(s): REPRESENTATIVES COGHILL, Ramras, Rokeberg, Kelly, McGuire, Lynn

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to child-in-need-of-aid proceedings; amending the construction of
 2 statutes pertaining to children in need of aid; relating to guardianships; relating to the
 3 confidentiality of investigations, court hearings, and public agency records and
 4 information in child-in-need-of-aid matters and certain child protection matters, to
 5 immunity regarding disclosure of information in child-in-need-of-aid matters and
 6 cert... child protection matters, to proceedings regarding voluntary relinquishment and
 7 termination of a parent and child relationship, to eligibility for permanent fund
 8 dividends for certain children in the custody of the state, and to juvenile delinquency
 9 proceedings and placements; reestablishing and relating to a state citizens' review panel;
 10 amending the obligation of a public agency to disclose agency information pertaining to
 11 a child in need of aid; relating to disclosure of confidential or privileged information
 12 about children and families involved with children's services within the Department of

1 Health and Social Services to officials for review or use in official capacities; relating to
2 reports of harm and to adoptions and foster care; relating to consent for the medication
3 of children in state custody; prescribing the rights of family members related to child-in-
4 need-of-aid cases and establishing a familial priority for adoption; modifying adoption
5 and placement procedures in certain child-in-need-of-aid cases; amending Rules 9 and
6 13, Alaska Adoption Rules, Rules 3, 17.2, 18, and 22, Alaska Child in Need of Aid Rules
7 of Procedure, and Rules 14 and 15, Alaska Rules of Probate Procedure; and providing
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 13.26.055 is amended to read:

11 Sec. 13.26.055. Court appointment of guardian of minor; qualifications;
12 priority of minor's nominee and adult family member. The court may appoint as
13 guardian any adult [PERSON] whose appointment would be in the best interests of
14 the minor and is consistent with a priority given to an adult family member. The
15 court shall appoint a person nominated by the minor, if the minor is 14 years of age or
16 older, unless the court finds the appointment contrary to the best interests of the minor.
17 In this section, "adult family member" has the meaning given in AS 47.10.990.

18 * Sec. 2. AS 13.26 is amended by adding a new section to read:

19 Sec. 13.26.064. Guardianship after voluntary relinquishment; procedure.
20 In addition to the applicable procedures under this chapter, a guardianship decree and
21 review of a guardianship decree are governed by the procedures established under
22 AS 25.23.180 and, for a child-in-need-of-aid, AS 47.10.089, pertaining to voluntary
23 relinquishment of parental rights and retaining of parental privileges in a guardianship
24 decree.

25 * Sec. 3. AS 25.23 is amended by adding a new section to read:

26 Sec. 25.23.127. Adult family member preference to adopt. Taking into
27 consideration a child's stated preference under AS 25.23.125(a) and consent given
28 under AS 25.23.040(a)(5), and unless the court finds that a petition to adopt the child

1 by an adult family member is contrary to the best interest of the child, the court shall
2 grant a petition to adopt a child by an adult family member who has had physical
3 custody of the child for at least 12 consecutive months before the parental rights to the
4 child have been terminated. In this section, "adult family member" has the meaning
5 given in AS 47.10.990.

6 * Sec. 4. AS 25.23.180 is amended by adding new subsections to read:

7 (j) In a relinquishment of parental rights executed under (a) of this section, a
8 parent may retain privileges with respect to the child, including the ability to have
9 future contact, communication, and visitation with the child. A retained privilege
10 must be stated in writing with specificity. Not less than 10 days after the
11 relinquishment is signed, the court may enter an order terminating parental rights if the
12 court finds that termination of parental rights under the terms of the agreement is in
13 the child's best interest. If a parent has retained one or more privileges, the court shall
14 incorporate the retained privileges into the termination order with a recommendation
15 that the retained privileges be incorporated in an adoption or legal guardianship
16 decree.

17 (k) A voluntary relinquishment may not be withdrawn and a termination order
18 may not be vacated on the ground that a retained privilege has been withheld from the
19 relinquishing parent or that the relinquishing parent has been unable, for any reason, to
20 act on a retained privilege, except as provided in Rule 60(b), Alaska Rules of Civil
21 Procedure.

22 (l) After a termination order is entered, a person who has voluntarily
23 relinquished parental rights under this section may request a review hearing, upon a
24 showing of good cause, to seek enforcement or modification of or to vacate a privilege
25 retained in the termination order. The court may modify, enforce, or vacate the
26 retained privilege if the court finds, by clear and convincing evidence, that it is in the
27 best interest of the child to do so.

28 (m) After a termination order is entered and before the entry of an adoption or
29 legal guardianship decree, a prospective adoptive parent or a guardian of a child who
30 is the subject of an adoption decree may request, after providing notice as specified
31 under this subsection, that the court decline to incorporate a privilege retained in a

1 termination order and recommended for incorporation in an adoption or guardianship
2 decree under (j) of this section. The request made under this subsection may only be
3 considered by the court after providing at least 20 days' notice by certified mail to the
4 last known address of the person who has voluntarily relinquished parental rights to
5 the child. The notice under this subsection must describe the request and explain that
6 the recipient of the notice may submit a written statement under penalty of perjury to
7 the court that the recipient either agrees with or opposes the request. The notice must
8 also include the deadline for submitting the statement and the mailing address of the
9 court. The court may decline to incorporate a retained privilege if the person who
10 retained the privilege agrees with the request or if the court finds that it is in the child's
11 best interest.

12 (n) A person who relinquished parental rights is entitled to the appointment of
13 an attorney if a hearing is requested under (l) or (m) of this section to the same extent
14 as if the parent's rights had not been terminated in a child-in-need-of-aid proceeding.

15 * Sec. 5. AS 43.23.005(f) is amended to read:

16 (f) The [IN A TIME OF NATIONAL MILITARY EMERGENCY, THE]
17 commissioner may waive the requirement of (a)(4) of this section for an individual
18 absent from the state

19 (1) in a time of national military emergency under military orders
20 while serving in the armed forces of the United States, or for the spouse and
21 dependents of that individual; or

22 (2) while in the custody of the Department of Health and Social
23 Services in accordance with a court order under AS 47.10 or AS 47.12 and placed
24 outside of the state by the Department of Health and Social Services for purposes
25 of medical or behavioral treatment.

26 * Sec. 6. AS 47.10.005 is amended to read:

27 Sec. 47.10.005. Construction. The provisions of this chapter shall be
28 liberally construed to

29 (1) achieve the end that a child coming within the jurisdiction of the
30 court under this chapter may receive the care, guidance, treatment, and control that
31 will promote the child's welfare and the parents' participation in the upbringing of

1 the child; and

2 (2) follow the findings set out in AS 47.05.065.

3 * Sec. 7. AS 47.10.020(a) is amended to read:

4 (a) Whenever circumstances subject a child to the jurisdiction of the court
5 under AS 47.10.005 - 47.10.142, the court shall appoint a competent person or agency
6 to make a preliminary inquiry and report for the information of the court to determine
7 whether the best interests of the child require that further action be taken. The court
8 shall make the appointment on its own motion or at the request of a person or
9 agency having knowledge of the child's circumstances. If, under this subsection,
10 the court appoints a person or agency to make a preliminary inquiry and to report to it,
11 or if the department is conducting an investigation of a report of child abuse or
12 neglect, the court may issue any orders necessary to aid the person, the agency,
13 or the department in its investigation or in making the preliminary inquiry and
14 report. Upon [THEN, UPO. THE] receipt of the report under this subsection, the
15 court may

16 (1) close the matter without a court hearing;

17 (2) determine whether the best interests of the child require that further
18 action be taken; or

19 (3) authorize the person or agency having knowledge of the facts of the
20 case to file with the court a petition setting out the facts.

21 * Sec. 8. AS 47.10.020 is amended by adding a new subsection to read:

22 (e) Nothing in this section requires the department to obtain authorization
23 from the court before

24 (1) conducting an investigation of a report of child abuse or neglect; or

25 (2) filing a petition.

26 * Sec. 9. AS 47.10.070(a) is amended to read:

27 (a) The court may conduct the hearing on the petition in an informal manner.
28 The court shall give notice of the hearing to the department, and it may send a
29 representative to the hearing. The court shall also transmit a copy of the petition to the
30 department. The department shall send notice of the hearing to the persons for whom
31 notice is required under AS 47.10.030(b) and to each grandparent of the child entitled

1 to notice under AS 47.10.030(d). The department and the persons to whom the
2 department must send notice of the hearing are entitled to be heard at the hearing.
3 Except as provided in (e) of this section, and unless prohibited by federal or state
4 law, court order, or court rule, a hearing is open to the public [HOWEVER, THE
5 COURT MAY LIMIT THE PRESENCE OF THE FOSTER PARENT OR OTHER
6 OUT-OF-HOME CARE PROVIDER AND OF ANY GRANDPARENT OF THE
7 CHILD TO THE TIME DURING WHICH THE PERSON'S TESTIMONY IS BEING
8 GIVEN IF IT IS (1) IN THE BEST INTEREST OF THE CHILD; OR (2)
9 NECESSARY TO PROTECT THE PRIVACY INTERESTS OF THE PARTIES
10 AND WILL NOT BE DETRIMENTAL TO THE CHILD. THE PUBLIC SHALL BE
11 EXCLUDED FROM THE HEARING, BUT THE COURT, IN ITS DISCRETION,
12 MAY PERMIT INDIVIDUALS TO ATTEND A HEARING IF THEIR
13 ATTENDANCE IS COMPATIBLE WITH THE BEST INTERESTS OF THE
14 CHILD].

15 * Sec. 10. AS 47.10.070 is amended by adding new subsections to read:

16 (c) Except as provided in (e) of this section, the following hearings in child-in-
17 need-of-aid cases are closed to the public:

18 (1) the initial court hearing after the filing of a petition to commence
19 the child-in-need-of-aid case;

20 (2) a hearing following the initial hearing in which a parent, child, or
21 other party to the case is present but has not had an opportunity to obtain legal
22 representation;

23 (3) a hearing, or a part of a hearing, for which the court issues a written
24 order finding that allowing the hearing, or part of the hearing, to be open to the public
25 would reasonably be expected to

26 (A) stigmatize or be emotionally damaging to a child;

27 (B) inhibit a child's testimony in that hearing;

28 (C) disclose matters otherwise required to be kept confidential
29 by state or federal statute or regulation, court order, or court rule; or

30 (D) interfere with a criminal investigation or proceeding or a
31 criminal defendant's right to a fair trial in a criminal proceeding; before ruling

1 on a request under this subparagraph, the court shall give notice and an
2 opportunity to be heard to the state or a municipal agency that is assigned to
3 the criminal investigation or to the prosecuting attorney.

4 (d) If a hearing, or part of a hearing, in a child-in-need-of-aid case is not
5 closed under (c) of this section, the court shall hear in camera any information offered
6 regarding the location, or readily leading to the location, of a parent, child, or other
7 party to the case who is a victim of domestic violence. Access to testimony heard in
8 camera under this subsection is limited to the court and authorized court personnel.

9 (e) The grandparents of the child and an out-of-home care provider may attend
10 hearings that are otherwise closed to the public under (c) of this section. However, the
11 court shall limit the presence of these persons in a hearing closed to the public to the
12 time during which the person's testimony is being given if the court determines that
13 the limitation is necessary under (c)(3) of this section.

14 (f) Notwithstanding any other provision of this chapter, a person attending a
15 hearing open to the public may not disclose a name, picture, or other information that
16 would readily lead to the identification of a child who is the subject of the child-in-
17 need-of-aid case. At the beginning of the hearing, the court shall issue an order
18 specifying the restrictions necessary to comply with this subsection. If a person
19 violates the order, the court may impose any appropriate sanction, including contempt
20 and closure of any further hearings in the case to the person.

21 * Sec. 11. AS 47.10.080(c) is amended to read:

22 (c) If the court finds that the child is a child in need of aid, the court shall

23 (1) order the child committed to the department for placement in an
24 appropriate setting for a period of time not to exceed two years or in any event not to
25 extend past the date the child becomes 19 years of age, except that the department or
26 the child's guardian ad litem may petition for and the court may grant in a hearing

27 (A) one-year extensions of commitment that do not extend
28 beyond the child's 19th birthday if the extension is in the best interests of the
29 child; and

30 (B) an additional one-year period of state custody past [AGE]
31 19 years of age if the continued state custody is in the best interests of the

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person and the person consents to it;

(2) order the child released to a parent, adult family member [RELATIVE], or guardian of the child or to another suitable person, and, in appropriate cases, order the parent, adult family member [RELATIVE], guardian, or other person to provide medical or other care and treatment; if the court releases the child, it shall direct the department to supervise the care and treatment given to the child, but the court may dispense with the department's supervision if the court finds that the adult to whom the child is released will adequately care for the child without supervision; the department's supervision may not exceed two years or in any event extend past the date the child reaches [AGE] 19 years of age, except that the department or the child's guardian ad litem may petition for and the court may grant in a hearing

(A) one-year extensions of supervision that do not extend beyond the child's 19th birthday if the extensions are in the best interests of the child; and

(B) an additional one-year period of supervision past [AGE] 19 years of age if the continued supervision is in the best interests of the person and the person consents to it; or

(c) order, under the grounds specified in (c) of this section or AS 47.10.058, the termination of parental rights and responsibilities of one or both parents and commit the child to the custody of the department, and the department shall report quarterly to the court on efforts being made to find a permanent placement for the child.

* Sec. 12. AS 47.10.080(l) is amended to read:

(l) Within 12 months after the date a child enters foster care as calculated under AS 47.10.088(1), the court shall hold a permanency hearing. The hearing and permanent plan developed in the hearing are governed by the following provisions:

(1) the persons entitled to be heard under AS 47.10.070 or under (f) of this section are also entitled to be heard at the hearing held under this subsection;

(2) when establishing the permanent plan for the child, the court shall make appropriate written findings, including findings related to whether

1 (A) and when the child should be returned to the parent or
2 guardian;

3 (B) the child should be placed for adoption or legal
4 guardianship and whether a petition for termination of parental rights should be
5 filed by the department; and

6 (C) the child should be placed in another planned, permanent
7 living arrangement and what steps are necessary to achieve the new
8 arrangement;

9 (3) if the court is unable to make a finding required under (2) of this
10 subsection, the court shall hold another hearing within a reasonable period of time;

11 (4) in addition to the findings required by (2) of this subsection, the
12 court shall also make appropriate written findings related to

13 (A) whether the department has made the reasonable efforts
14 required under AS 47.10.086 to offer appropriate family support services to
15 remedy the parent's or guardian's conduct or conditions in the home that made
16 the child a child in need of aid under this chapter;

17 (B) whether the parent or guardian has made substantial
18 progress to remedy the parent's or guardian's conduct or conditions in the home
19 that made the child a child in need of aid under this chapter; [AND]

20 (C) if the permanent plan is for the child to remain in out-of-
21 home-care, whether the child's out-of-home placement continues to be
22 appropriate and in the best interests of the child; and

23 (D) whether the department has made reasonable efforts to
24 finalize the permanent plan for the child;

25 (5) the court shall hold a hearing to review the permanent plan at least
26 annually until successful implementation of the plan, if the plan approved by the court
27 changes after the hearing, the department shall promptly apply to the court for another
28 permanency hearing, and the court shall conduct the hearing within 30 days after
29 application by the department.

30 * Sec. 13. AS 47.10.080(p) is amended to read:

31 (p) If a child is removed from the parental home, the department shall provide

1 reasonable visitation between the child and the child's parents, guardian, and family.
2 When determining what constitutes reasonable visitation with a family member, the
3 department shall consider the nature and quality of the relationship that existed
4 between the child and the family member before the child was committed to the
5 custody of the department. The court may require the department to file a visitation
6 plan with the court. The department may deny visitation to the parents, guardian, or
7 family members if there is clear and convincing evidence that visits are not in the
8 child's best interests. If the department denies visitation to a parent or family
9 member of a child, the department shall inform the parent or family member of a
10 reason for the denial and of the parent's or adult family member's right to
11 request a review hearing as an interested person. A parent, adult family member,
12 or guardian who is denied visitation may request a review hearing. A non-party
13 adult family member requesting a review hearing under this subsection is not
14 eligible for publicly appointed legal counsel.

15 * Sec. 14. AS 47.10.080 is amended by adding new subsections to read:

16 (t) The court may not terminate parental rights solely on the basis that the
17 parent did not complete treatment required of the parent by the department for
18 reunification with the child if the treatment required was unavailable to the parent and
19 the department did not provide the treatment.

20 (u) For a child who is placed in foster care, when the department finds that it
21 is in the best interest of a child and that the foster family will not be placed in undue
22 risk of harm, the department shall require foster parents to provide regular
23 opportunities for visitation with the child by the parents of the child and encourage
24 foster parents to serve as mentors for facilitating family reunification.

25 (v) A hearing conducted under this section is open to the public unless an
26 exception provided in AS 47.10.070(c) applies to make the hearing closed to the
27 public or unless prohibited by federal or state statute or regulation.

28 * Sec. 15. AS 47.10.084(c) is amended to read:

29 (c) When there has been transfer of legal custody or appointment of a guardian
30 and parental rights have not been terminated by court decree, the parents shall have
31 residual rights and responsibilities. These residual rights and responsibilities of the

1 parent include, but are not limited to, the right and responsibility of reasonable
2 visitation, consent to adoption, consent to marriage, consent to military enlistment,
3 consent to major medical treatment except in cases of emergency or cases falling
4 under AS 25.20.025, and the responsibility for support, except if by court order any
5 residual right and responsibility has been delegated to a guardian under (b) of this
6 section. In this subsection, "major medical treatment" includes the
7 administration of medication used to treat a mental health disorder.

8 * Sec. 16. AS 47.10.088(i) is amended to read:

9 (i) The department shall concurrently identify, recruit, process, and approve a
10 qualified person or family for an adoption whenever a petition to terminate a parent's
11 rights to a child is filed. Before identifying a placement of the child in an adoptive
12 home, the department shall attempt to locate all living adult family members of
13 the child and, if an adult family member expresses an interest in adopting the
14 child, investigate the adult family member's ability to care for the child. The
15 department shall provide to all adult family members of the child located by the
16 department written notice of the adult family members' rights under this chapter
17 and of the procedures necessary to gain custody of the child. If an adult family
18 member of the child requests that the department approve the adult family
19 member for an adoption, the department shall approve the request unless there is
20 good cause not to approve the adoption. If the court issues an order to terminate
21 under (j) of this section, the department shall report within 30 days on the efforts being
22 made to recruit a permanent placement for the child if a permanent placement was not
23 approved at the time of the trial under (j) of this section. The report must document
24 recruitment efforts made for the child.

25 * Sec. 17. AS 47.10 is amended by adding a new section to read:

26 Sec. 47.10.089. Voluntary relinquishment of parental rights and
27 responsibilities. (a) When a child is committed to the custody of the department
28 under AS 47.10.080(c)(1) or (3) or released under AS 47.10.080(c)(2), the rights of a
29 parent with respect to the child, including parental rights to control the child, to
30 withhold consent to an adoption, or to receive notice of a hearing on a petition for
31 adoption, may be voluntarily relinquished to the department and the relationship of

1 parent and child terminated in a proceeding as provided under this section.

2 (b) A voluntary relinquishment must be in writing and signed by a parent,
3 regardless of the age of the parent, in the presence of a representative of the
4 department or in the presence of a court of competent jurisdiction with the knowledge
5 and approval of the department. A copy of the signed relinquishment shall be given to
6 the parent.

7 (c) A voluntary relinquishment may be withdrawn within 10 days after it is
8 signed. The relinquishment is invalid unless the relinquishment contains the right of
9 withdrawal as specified under this subsection.

10 (d) A parent may retain privileges with respect to the child, including the
11 ability to have future contact, communication, and visitation with the child in a
12 voluntary relinquishment executed under this section. A retained privilege must be in
13 writing and stated with specificity.

14 (e) Not less than 10 days after a voluntary relinquishment is signed, the court
15 shall enter an order terminating parental rights if the court determines that termination
16 of parental rights under the terms of the relinquishment is in the child's best interest.
17 If a parent has retained one or more privileges under (d) of this section, the court shall
18 incorporate the retained privileges in the termination order with a recommendation
19 that the retained privileges be incorporated in an adoption or legal guardianship
20 decree.

21 (f) A voluntary relinquishment may not be withdrawn and a termination order
22 may not be vacated on the ground that a retained privilege has been withheld from the
23 relinquishing parent or that the relinquishing parent has been unable, for any reason, to
24 act on a retained privilege, except as provided in Rule 60(b), Alaska Rules of Civil
25 Procedure.

26 (g) After a termination order is entered, a person who has voluntarily
27 relinquished parental rights under this section may request a review hearing, upon a
28 showing of good cause, to seek enforcement or modification of or to vacate a privilege
29 retained in the termination order. The court may modify, enforce, or vacate the
30 retained privilege if the court finds, by clear and convincing evidence, that it is in the
31 best interest of the child to do so.

1 (h) After a termination order is entered and before the entry of an adoption or
2 legal guardianship decree, a person who voluntarily relinquished parental rights to a
3 child under this section may request a review hearing, upon a showing of good cause,
4 to vacate the termination order and reinstate parental rights relating to that child. A
5 court shall vacate a termination order if the person shows, by clear and convincing
6 evidence, that reinstatement of parental rights is in the best interest of the child and
7 that the person is rehabilitated and capable of providing the care and guidance that will
8 serve the moral, emotional, mental, and physical welfare of the child.

9 (i) A person who relinquished parental rights is entitled to the appointment of
10 an attorney if a hearing is requested under (g), (h), or (j) of this section to the same
11 extent as if the parent's rights had not been terminated in a child-in-need-of-aid
12 proceeding.

13 (j) After a termination order is entered and before the entry of an adoption or
14 legal guardianship decree, a prospective adoptive parent or a guardian of a child who
15 is the subject of the adoption or guardianship decree may request, after providing
16 notice as specified under this subsection, that the court decline to incorporate a
17 privilege retained in a termination order and recommended for incorporation in an
18 adoption or guardianship decree under (e) of this section. The request made under this
19 subsection may only be considered by the court after providing at least 20 days' notice
20 by certified mail to the last known address of the person who has voluntarily
21 relinquished parental rights to the child. The notice under this subsection must
22 describe the request and explain that the recipient of the notice may submit a written
23 statement under penalty of perjury to the court that the recipient either agrees with or
24 opposes the request. The notice must also include the deadline for submitting the
25 statement and the mailing address of the court. The court may decline to incorporate a
26 retained privilege if the person who retained the privilege agrees with the request or if
27 the court finds that it is in the child's best interest.

28 * Sec. 18. AS 47.10.09 (c) is amended to read:

29 (c) Within 30 days after [OF] the date of a child's [MINOR'S] 18th birthday
30 or, if the court retains jurisdiction of a child [MINOR] past the child's [MINOR'S]
31 18th birthday, within 30 days after [OF] the date on which the court releases

1 jurisdiction over the child [MINOR], the court shall order all the court's official
2 records pertaining to that child [MINOR] in a proceeding under this chapter sealed. A
3 person may not use these sealed records unless authorized by order of [FOR ANY
4 PURPOSE EXCEPT THAT] the court upon a finding of [MAY ORDER THEIR
5 USE FOR] good cause [SHOWN].

6 * Sec. 19. AS 47.10.090(d) is amended to read:

7 (d) The name or picture of a child [MINOR] under the jurisdiction of the court
8 may not be made public in connection with the child's [MINOR'S] status as a child in
9 need of aid unless authorized by order of the court or unless to implement the
10 permanency plan for a child after all parental rights of custody have been
11 terminated. This subsection does not prohibit the release of aggregate
12 information for statistical or other informational purposes if the identity of any
13 particular person is not revealed by the release.

14 * Sec. 20. AS 47.10.092(a) is amended to read:

15 (a) Notwithstanding AS 47.10.090 and 47.10.095, a parent or legal guardian of
16 a child subject to a proceeding under AS 47.10.005 - 47.10.142 may disclose
17 confidential or privileged information about the child or the child's family, including
18 information that has been lawfully obtained from agency or court files, to the
19 governor, the lieutenant governor, a legislator, the ombudsman appointed under
20 AS 24.55, the attorney general, and the commissioner [COMMISSIONERS] of health
21 and social services, administration, or public safety, or an employee of these persons,
22 for review or use in their official capacities. The Department of Health and Social
23 Services and the Department of Administration [DEPARTMENT] shall disclose
24 additional confidential or privileged information, excluding privileged attorney-
25 client information, and make copies of documents available for inspection about the
26 child or the child's family to these state officials or employees for review or use in
27 their official capacities upon request of the official or employee and submission of
28 satisfactory evidence that a parent or legal guardian of the child has requested the state
29 official's assistance in the case as part of the official's duties. A person to whom
30 disclosure is made under this section may not disclose confidential or privileged
31 information about the child or the child's family to a person not authorized to receive