

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672
2602 SLC SB 66 - SB 67

2002

The Honorable Richard Eliason
March 24, 1983
Page Three

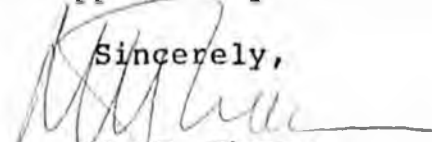
burden of this "residual market mechanism" becomes greater on the commercial insurers, who have of course already lost that part of the market which makes up the new reciprocals. Thus, rates to commercially insured persons will get a double whammy, as fewer carry more. There does not seem to be any policy reason to exempt one form of insurer from this burden, once the Legislature has determined that the cost of an assigned risk pool is something that should be borne by those who can obtain insurance.

The bill also exempts some reciprocals, those who issue assessable policies, from the Guaranty Association. (Section 5). To the extent that financial requirements are lessened (as in Section 2 of the bill, relating to municipal reciprocals), they should probably not be included in the Guaranty Association, since that would unfairly burden other members who have had to guard against insolvency by meeting more stringent capitalization standards. Ironically, by recognizing that assessable reciprocals are somewhat better able to stand on their own than non-assessable reciprocals, the bill puts only those who are more likely to have solvency problems on the backs of solvent insurers. Perhaps a separate solvency mechanism for self-insureds and any others, like the proposed municipal reciprocals, who have lesser financial standards, should be considered.

I note that the bill allows formation of a reciprocal by two persons, while the AIA position is that ten is a suggested minimum. I don't think there is any particular magic in either number, but it is obvious that the fewer the separately-managed entities participating, the closer the scrutiny of the regulator will have to be, since failure of one will have a much greater chance of bankrupting the joint effort.

Thank you for the opportunity to comment.

Sincerely,



M. T. Thomas

MTT/pl



Alaska National INSURANCE COMPANY

A policy of service and protection

March 22, 1983

The Honorable Dick Eliason, Senator
Alaska State Senate
Pouch Y
Juneau, Alaska 99811

Attn: Sheila Peterson, Legislative Analyst

Dear Dick:

Sheila was kind enough to send me a working draft of CSSB 66 (I&C) which is marked "Sofo 3-14-83." Shortly after receiving this draft, I was called by Wes Coyner, who indicated that there were some mistakes made in the drafting; and, in fact, numerous portions of that working draft are not intended to be included. The changes which I was given are as follows:

- A. From line 10 strike "AS 23.30.075 (b)"
- B. From line 16 strike "AS 23.30.075 (b) by the state or a political subdivision" and insert instead "by a municipality"
- C. From page 1, line 28 to page 2, line 2 strike all of the definition and instead insert "municipality is defined as provided in AS 29.78.010 (8)"
- D. From page 2, line 5 strike "or political subdivision of the state, public utilities," and insert in line 5 "a municipality of" so that line 5 reads "reciprocal insurer formed by a municipality of the state ...".
- E. Strike all of Section 6.
- F. Strike all of Section 7.

My comments deal with the bill as modified.

BASIC THRUST OF THE BILL

The bill seems to permit municipalities to form a reciprocal insurer and changes the Reciprocal Law to permit two or more, as opposed to 25 or more persons, to form a reciprocal insurer. These basis policy changes are acceptable.

reciprocals in this State that certainly should not be exempted from the assigned risk pool. The more pertinent issue is should the municipal reciprocal be exempted from paying assessments for the assigned risk pool. On this point, I restate a portion of my January 21, 1983, letter to Representative Rick Uehling on a similar subject.

IT IS IMPORTANT TO MAINTAIN A PREMIUM BASIS
NECESSARY TO PROVIDE SUPPORT FOR SYSTEM OBLIGATIONS

There are several components to the complete workers' compensation system which are funded by assessment of insurance companies, and those assessments are a function of the premiums written. It was recognized that since all employers were required to purchase insurance, assessing insurance companies based on their pro-rata writings of workers' compensation insurance was an equitable and efficient means for funding collateral aspects of the workers' compensation system. If significant shares of premium were allowed to "escape" the system because insurance pools were allowed to exist under the sham name of "group self-insurance", then the assessment base would be reduced placing a larger burden on those employers remaining insured through traditional insurance markets and relieving other employers of their obligation to pay their fair share of these collateral program costs.

It is, of course, true that a truly self-insured employer does escape some of these obligations, and in other states there has been a tendency to require the truly self-insured employer to be subjected to assessment to the same extent they would be had they been insured through an insurance company. Though that is not the current State of Alaska law with respect to true self-insured employers, the problem should not be exacerbated by allowing the fiction of group self-insurance to permit substantial additional premium to be removed from the premium base.

Some of these collateral programs are:

Assigned Risk Pool

Since insurance is required to be carried by all employers, but insurance companies are not legally obligated to provide insurance to a particular employer, it was necessary to create a mechanism for poor risks, or risks that underwriters chose not to write voluntarily, to obtain their workers' compensation insurance. In Alaska an assigned risk pool has been established, and any employer who cannot obtain their insurance through negotiation with an insurance company may obtain their insurance from the assigned risk pool at standard rates. The net cost of operating the assigned risk pool, that is, the amount by which losses from pool risks exceed premium from pool risks, is paid by assessment of all other insurance companies pro-rata to their writings of workers' compensation insurance. In short, the cost of underwriting pool risks is borne by the workers' compensation system.

The bill goes further, however, and makes three other changes which I find objectionable in various degrees.

1. Allowing the capital and surplus to be satisfied with a bond. Every other insuring entity in the State of Alaska is required to post cash or other admitted assets in order to do business in the State. The reason, of course, is that only cash and immediately liquidable assets can be made available to pay claims to the extent claims and expense exceed premiums. To permit the requirement to be met with a bond, is to work an utmost hardship on claimants and creditors in the event the premiums are not adequate to meet expenses for operations and claims.

It should be noted that there is already a significant advantage afforded entities utilizing this new statute since any other carrier writing workers' compensation only in the State of Alaska, must have \$250,000 more in assets than is required of the municipal reciprocal. To compound the problem, by allowing this minimal capital and surplus to be put up in the form of a bond as opposed to admitted assets, permits both an unreasonably unfair level of competition among insurers and subjects the claimant to questionable protection for their rights under the Workers' Compensation Act.

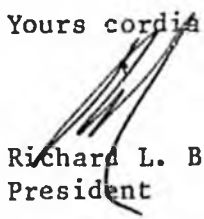
2. Section 5 attempts to exempt a municipal reciprocal from its obligations to pay an assessment to fund an insolvency by an insurance carrier formed under existing laws. There may be some argument to be made for excluding them from the obligation to pay assessments of the Guarantee Association, but only if the companion provision which is that the claims of an insolvent municipal reciprocal are not covered by the Guarantee Association, is also included.

Note that your work draft excludes the reciprocal from AS Section 21.80.180 (6) (A), (Who Must Pay an Assessment for an Insolvency) but does not exclude them from AS 21.80.180 (5) (A) (Who's Insolvency Must Be Protected By The Guarantee Association.) It is my position that the municipal reciprocal must be included as part of the Guarantee Association both as to assessability and coverage, or excluded from the Guarantee Association both as to assessability and coverage. Because of the highly political nature of such a program and because I do not believe that the minimum criteria for forming a municipal reciprocal provides adequate protection for the long term growth and stability of such an organization, I would elect to have them not included in the Guarantee Association and exempt them from assessment.

3. For some reason all reciprocals are exempted from assessment to fund the assigned risk pool. I believe that drafting Section 1 to exclude all reciprocals was an inadvertant error on the part of the drafters since there are commercial workers' compensation

I very much appreciate your allowing me an opportunity to comment on your work draft and hope that my comments are a value to you.

Yours cordially,



Richard L. Block
President

RB/krl



Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Senator Richard Eliason, Chairman
Senate Labor and Commerce Committee

FROM: Cherie Shelley, Executive Director
Alaska Public Employees Association

SUBJECT: SB 66

DATE: March 22, 1983

The Alaska Public Employees Association is concerned that the provision allowing municipalities to self-insure for workers' compensation will not adequately protect the interest of public employees in Alaska. Many municipalities lack the financial resources to cover large awards under the workers' compensation law. Such awards can total in the millions of dollars.

In cases where a municipality did not have the financial resources to compensate for employee injury or death, there would be no further recourse available to the injured party. Public officials, unlike the officers of a corporation, would not be liable for the payment of compensation or other benefits for which the municipality is liable under this chapter if the municipality is not insured or qualified as a self-insurer.

CS/rb

Fairbanks Field Office
825-D College Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P. O. BOX 1149
JUNEAU, ALASKA 99802

Phone: (907) 465-2700

February 7, 1983

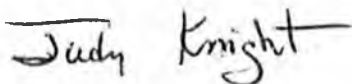
The Honorable Richard I. Eliason
Chairman, Senate Labor & Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

The question has been posed if the term "obligations" should be substituted for the term "liabilities" in Senate Bill 66. After discussing with Assistant Attorney General Gary Amendola, it is our recommendation that "liabilities" is the more appropriate term and maintains consistency in the Alaska Workers' Compensation Act (AS 23.30). By inserting the new word, it may raise some doubt if obligations and liabilities are the same.

Thank you for the opportunity to comment.

Sincerely,



Judy Knight
Special Assistant
to the Commissioner

E. C. Box 1753
Eagle River, Alaska 99577
Phone: 694-4372
February 7, 1983

Senator Richard Eliason
Chairman, Labor & Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: Senate Bill 66 - "An Act Relating to Municipal Self
Insurance for Workers Compensation."

Dear Senator Eliason:

I received a phone call from a lady in your office on Thursday.
This was in response to my POM of February 2, which stated:

"Suggest Line 21 & 22 should read 'To organize a self
insurance group in order to pool their (liabilities)
obligations under this Chapter.'

The term 'liability' may be construed to mean other coverages
than Worker Compensation."

Since this letter will be entered into written testimony in the
hearing February 10, 1983, I wish to make my reasoning clear.

Webster's NEW WORLD DICTIONARY defines "liability" as 1) The
state of being liable. 2) Anything for which a person is liable.
3) Usually in plural. A debt: As Account Payable, surplus,
losses..."

The Merritt Co. in the Glossary defines "liability" broadly. "Any
legally enforceable obligation. The term is most commonly used
in a pecuniary sense."

The entire Alaska Workers Compensation Act used the term "liability"
freely.

My concern is that when it is used in AS23.30, it should be defined
or changed. My POM made one suggestion. A favorable impression of
the Bill exists with or without a change of wording.

I am enclosing my Resume that will give my background.

Sincerely,

Bob Nestel (jaf)

Bob Nestel, CPCU, ARM
BN:jaf

cc: Senator Mulcahy, Senator Bennett, Senator Sacket, Senator Rodey

PROFESSIONAL RESUME

Robert W. Nestel
P. O. Box 1753
Eagle River, Alaska 99577

Message Phone: (907)279-9350 (CO⁴ Roger Cochran) or (907)243-5600 (Jon Deisher,
Vocational Rehabilitation)

Date of Birth: May 5, 1930

PROFESSIONAL DESIGNATIONS:

Chartered Property and Casualty Underwriter (CPCU)
Associate in Risk Management (ARM)

PROFESSIONAL BACKGROUND:

- July 1, 1981 to present.
- Self employed as a Risk Management Consultant.
- Developed questions and answers for the Division of Insurance Agents and Brokers Test.
- Educated persons in brokerage offices.

Risk Management Consultant to Matanuska-Susitna Borough

- June, 1981.
- Created information for renewal of Property and Casualty insurance policies.
- Updated values on all Borough-owned buildings and personal property.
- Developed plans for a comprehensive real-asset inventory with two nationwide firms.
- Assisted in property loss settlement of the Iditarod School in Wasilla. This loss was the largest arson loss in Alaska history.

Combs Insurance Agency, Inc., Palmer, Alaska

- November 1, 1980 to May 31, 1981.
- Licensed Surplus Lines Broker and Insurance Broker.
- Developed large commercial lines accounts.
- Assisted in preparation of insurance bids for City of Palmer, City of Wasilla and City of Valdez.

Great Land General Agency, Inc., Anchorage, Alaska

- June 1, 1979 to October 27, 1980.
- Licensed Surplus Lines Broker and Insurance Broker.
- Vice President with this large general agency.
- Supervisor and Underwriter on Admitted, Excess and Surplus Lines business.
- Selected companies for Property, Casualty, Ocean Marine, Inland Marine, Protection and Indemnity and Special Hazard Risks.
- Conferred with underwriters nationwide and in London on a daily basis.
- Developed unique and innovative underwriting techniques on special risks.

Rollins Burdick Hunder of Alaska, Inc., Anchorage, Alaska.

- December 15, 1975 to March 15, 1979.
- Licensed Surplus Lines Broker and Insurance Broker.
- Vice President for Risk Management.

Rollins Burdick Hunter of Alaska, Inc., Anchorage, Alaska (Continued)

- In charge of production of the following accounts:
 - Alyeska Pipeline Service Co. RBH took over the operations phase, including Liability and Worker's Compensation on a self-insured retention basis. Annual service fee in excess of \$40,000.
 - Anchorage School District. Property, Liability, Worker's Compensation. Premiums in excess of \$500,000.
 - Bristol Bay Borough and Bristol Bay Borough School District. Property, Liability and Worker's Compensation. Premiums in excess of \$50,000.
 - Crowley Maritime Corporation. Included all of Crowley's other corporate entities. Premiums in excess of \$1,000,000.
 - Kenai Peninsula Borough and Kenai Peninsula Borough School District. Property, Liability, Worker's Compensation. Premiums in excess of \$150,000.
- Supervised safety and loss engineering services for:
 - Alaska Carriers Association Inc.
 - Alaska International Air.
 - Anchorage Sand and Gravel
 - Gifford Aviation Inc.
 - City of Galena
 - Roman Catholic properties in Alaska
 - United Building Supply

Municipality of Anchorage (Formerly Greater Anchorage Area Borough)

- October 15, 1972 to December 14, 1975
- Licensed Surplus Lines Broker and Insurance Broker
- Risk Manager - duties included:
 - Self insuring and securing competitive prices on all Borough and School District exposures.
 - Recommending for Assembly approval employee benefit plans, including Medical, Dental, Vision, Deferred Compensation and a modified health maintenance organization.
 - Consultant to other Municipalities in Alaska for Risk Management including:
 - City of Cordova
 - City of Fairbanks
 - City and Borough of Juneau
 - Fairbanks North Star Borough
 - City of Kenai
 - Kenai Peninsula Borough
 - Kenai Peninsula Borough School District
 - Ketchikan Gateway Borough
 - City of Nome

Insurance Brokers of Alaska, Kenai, Alaska.

- October 15, 1971 to October 1, 1972.
- Licensed Insurance Broker.
- Developed large commercial accounts.

Leo Oberts Insurance, Inc., Kenai, Alaska.

- June 15, 1966 to October 1, 1971.
- Licensed Insurance Broker.
- Developed insurance programs for:
 - City of Kenai
 - Kenai Peninsula Borough
 - Kenai Peninsula Borough School District
 - Mukluk Freight Lines
 - McGann Enterprises
 - Northern Oil Operations
 - Oehler Construction

LaBow Haynes of Alaska Inc., Anchorage, Alaska

- March 15, 1965 to June 14, 1966,
- Licensed Insurance Broker
- Designed insurance programs for
 - Alaska Sales and Service
 - Arrow Lumber
 - Barrett and Lesh
 - Bristol Bay Borough and Bristol Bay Borough School District
 - Matanuska Maid
 - Spensard Building Supply

Oregon Nututal Insurance Co., Seattle, Washington

- January 1962 to March 14, 1964.
- Traveled the State of Washington.
- Increased premium volume in excess of 25% per year.
- Designed a special church package policy.

Badger Mutual Insurance Co., Milwaukee, Wisconsin

- June 15, 1955 to December 30, 1961.
- Field man in Indiana until transfer to Portland, Oregon in November 1977 to travel Oregon and Washington.

Lumberman Mutual Casualty Co., Chicago, Illinois

- September, 1952 to June 14, 1955.
- Auto underwriter for:
 - Nationwide auto risks
 - Canadian auto business
 - Large nationwide fleet accounts.
- Attended Mutual Insurance Institute.

PROFESSIONAL ASSOCIATIONS:

- Alaska Chapter of CPCU - President - 1979.
- Alaska Chapter of CPCU - Educational Chairman - 1980/81.
- Alaska Chapter of CPCU - Course Leader since 1972. Courses include:
 - Insurance 21, 22, 23; Risk Management 54, 55; Producer 81; CPCU I, II and III.
- Alaska Surplus Lines Association - President - 1980.
- Alaska Medical Malpractice Commission Member.
- Risk and Insurance Management Society - Member 1972/74.
- Central Alaska Independent Insurance Agents and Brokers Inc.

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FROM: JUNE, AND LIO TO: POB, JNU INFO
TARGET: LJOIL SUDJ: POB

2/2/83, JUNE, AND LIO, MSG 5791

TO: SENATORS BENNETT, SACKETT, FERGUSON, JOSEPHSON, FAIKS, V. FISCHER,
MULCHAY, ELIASON, AND RODAY

FROM: BOB NESTLE
P. O. BOX 1753
EAGLE RIVER, AK 99577 (H) 694-4372

SB 66 AN ACT RELATING TO MUNICIPAL SELF-INSURANCE FOR WORKERS COMPENSATION
LINES 21 AND 22 SHOULD READ "TO ORGANIZE A SELF-INSURANCE GROUP IN ORDER TO
POOL OBLIGATIONS UNDER THIS CHAPTER". THE TERM LIABILITIES MAY BE CON-
SIDERED TO MEAN THE OTHER WORKERS COMPENSATION.

Sheda - FYI

*stated liabilities
could mean
bodily injury/
property loss
select other
wording*

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 9, 1983

SUBJECT: Self insurance under SB 66
TO: Senator Richard I. Eliason
FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

Under section 1 of SB 66 two or more municipalities may, by agreement, organize a self insurance group to pool their worker's compensation liability.

You have asked whether, in our opinion, this conflicts with the prohibition on fictitious groups in the insurance code.

In my opinion it does not.

The relevant section in the insurance code is AS 21.35.190, which provides:

"FICTITIOUS GROUPS. (a) No insurer, whether an authorized or unauthorized insurer, may make available through a rating plan or form, property, casualty or surety insurance to a firm, corporation, or association of individuals, a preferred rate or premium bases upon a fictitious group of the firm, corporation, or association of individuals.

"(b) No form or plan of insurance covering a group or combination of persons or risks may be written or delivered inside or outside this state to cover persons or risks in this state at a preferred rate or on a form other than that offered to persons not in the group or combination and to the public generally, unless the form, plan of insurance, and the rates or premiums to be charged have been submitted to and approved by the director as being not unfairly discriminatory and not otherwise in conflict with (a) of this section or with AS 21.39.010 - 21.39.180 to the extent that AS

21.39.010 - 21.39.180 is, by its terms, applicable to it.

"(c) This section does not apply to mortgage guaranty insurance, life insurance, disability insurance, or annuity contracts.

"(d) This section does not apply to workers' compensation insurance when issued to an association of employers formed for purposes other than the purchase of insurance and which

- (1) has a constitution and bylaws;
- (2) incorporates a safety program;
- (3) as a group has preferred characteristics over similar risks written on an individual basis; and
- (4) has filed and received approval from the director for the rating program to be applied to the group."

As I understand the bill the worker's compensation coverage would be provided by a self insurance procedure rather than through an insurer. There is no general requirement that there be insurance coverage for worker's compensation liability. The only requirement is that imposed by the worker's compensation law itself under AS 23.30. Here the new language makes a specific exception to the insurance coverage requirement. It does not make the group insurers or insured for purposes of regulation under the insurance code (AS 21) so the provision has no application.

Further, even if AS 21 did apply, AS 21.36.190 under its own terms would not apply since a self insured group is not given a preferred rate or premium base. The liability is borne in its entirety by the group, as to the group itself there is not the risk spreading that is an essential element of insurance. Of course, there is a risk spreading within the group but this section applies to preferred rate or premium base to the group.

Additionally it seems probable that a governmental unit is a "firm, corporation or association of individuals" as that term is used in AS 21.36.190.

re: SB. 66

AS21.36.190 DOCUMENT= 1 OF 1 PAGE = 1 OF 3
CHAPTER = 21.36
SECTION = 21.36.190
TITLE = 21

HEADINGS TITLE 21.
Insurance.
CHAPTER 36.
Trade Practices and Frauds.

CITATION Sec. 21.36.190.

CATCH LINE

FICTITIOUS GROUPS.

TEXT

(a) No insurer, whether an authorized or unauthorized insurer, may make available through a rating plan or form, property, casualty or surety insurance to a firm, corporation, or association of individuals, a preferred rate or premium bases upon a fictitious group of the firm, corporation, or association of individuals.

(b) No form or plan of insurance covering a group or combination of persons or risks may be written or delivered inside or outside this state to cover persons or risks in this state at a preferred rate or on a form other than that offered to

AS21.36.190 DOCUMENT= 1 OF 1 PAGE = 2 OF 3

persons not in the group or combination and to the public generally, unless the form, plan of insurance, and the rates or premiums to be charged have been submitted to and approved by the director as being not unfairly discriminatory and not otherwise in conflict with (a) of this section or with AS 21.39.010 - 21.39.180 to the extent that AS 21.39.010 - 21.39.180 is, by its terms, applicable to it.

(c) This section does not apply to mortgage guaranty insurance, life insurance, disability insurance, or annuity contracts.

(d) This section does not apply to workers' compensation insurance when issued to an association of employers formed for purposes other than the purchase of insurance and which

(1) has a constitution and bylaws;

(2) incorporates a safety program;

(3) as a group has preferred characteristics over similar risks written on an individual basis; and

(4) has filed and received approval from the director for the rating program to be applied to the group.

HISTORY

(Sec. 1 ch 120 SLA 1966; am sec. 9 ch 206 SLA 1976; am sec. 1 ch

NACo insurance programs for counties now underway in 30 state associations

In January 1981, the National Association of Counties (NACo) set out to develop a wide-ranging insurance program for counties nationwide. Property and casualty, errors and omissions, worker's compensation and employee benefits were targeted as areas in which counties needed help to obtain adequate coverage at affordable rates.

NACo's first important step was to select Public Entities National Company (PENCO) to administer the program nationally. PENCO was selected through an intensive competitive process.

The selection of PENCO assured NACo access to a major national distribution process and to virtually all major markets. But, the program is designed to go much further. Every state has unique laws and regulations governing insurance.

Individual counties have unique risks that require tailored solutions. With this in mind, NACo and PENCO are working in partnership with state associations of counties to establish programs to target the specific needs state by state and county by county.

Because this three-party approach is unique, NACo had no real basis upon which to project participation. Tailored programs take a great deal of time to develop.

To date, more than 30 state associations of counties are working to set up coverage plans under the NACo program. More than 320 counties have purchased property and casualty coverage—over 10 percent of counties nationally. Programs are available, or nearly available, in states as far-ranging as Alaska and Maine, as well as from

Arizona to Georgia.

NACo recently announced a new errors and omissions (public officials' liability) program which provides coverage on an occurrence basis. This protects the official even after his term expires. Thirty-six counties already have opted for this relatively inexpensive coverage and more are coming in daily.

Even counties that are self-insured have taken advantage of NACo's program. More than 100 counties have purchased excess coverage from PENCO.

PENCO has done a truly remarkable job in developing such a massive national program in such a short time. PENCO liaison Doug MacLeod can be reached at 615/367-9707. For more information from NACo, call Chuck Oglebay or G. Marie Reid at 202/393-6226.

SMR June 82

FLORIDA

✓ The Florida Municipal Self-Insurers Fund recently declared \$1 million as a dividend from premium income for the 1979-1980 fund year. The dividends will be provided to 87% of the members, with the highest dividend being 32% of premiums to those with the lowest losses.

The fund has been able to secure a 10% decrease in the cost of administration and will pass this on to all renewal members for the 1981-1982 fund year. All new accounts will receive an 8% administrative savings. This decrease in the cost of workers' compensation coverage is the result of reductions in the cost of administrative services and reinsurance negotiated by the trustees. ■

New Massachusetts Safety Group

Beginning on July 1, 1982, the Massachusetts Interlocal Insurance Association (MIIA), a municipal safety group, began operations. The MIIA provides comprehensive workers' compensation and employers liability coverage to members of the Massachusetts Municipal Association (MMA). Other governmental units such as regional school districts, housing authorities and counties are also eligible for coverage in MIIA if they serve a MMA city or town.

Coverage is provided on a first dollar basis. A 10% up-front discount is offered to all members, with additional savings possible through a subsequent dividend. MIIA officials believe that savings of up to 35% of modified standard premium will be realized by safety group members.

Coverage in the program is underwritten by Old Republic Insurance Company on a fronted basis. Frank B. Hall provides claims handling and loss prevention services.

One of the most important components of the MIIA safety group program is the loss control program. The program aims to reduce safety hazards in the work environment thereby reducing the number and dollar amount of workers' compensation losses.

There is a one-time entry fee for participating in the insurance program. Those municipalities that joined MIIA prior to July 1, 1982 are considered "Charter Members" and paid 2% of their 1982 WC premiums. "Regular Members" joining after July 1, 1982 must pay 3½% of their 1982 WC premium to join the MIIA.

The MIIA also offers a special management services package for those communities that are self-insured. The package will include claims administration and loss control services. The self-insured program will be available as of January 1, 1983.

For additional information contact: MIIA Field Services Division, 131 Tremont Street, Boston, Massachusetts, 02117 — (617) 426-7272. ■

July 19-22. *Insurance Loss Control* conference in Itasca, Illinois, sponsored by the Alliance of American Insurers, the Insurance Loss Control Assn. and the National Assn. of Mutual Insurance Companies; \$120; three or more participants from same company, \$110. Loss Control Department, Alliance of American Insurers, 20 N. Wacker Drive, Chicago, IL 60606; (312) 558-3700.

August 2-6. *Basic Safety Management* seminar in Houston, sponsored by the International Safety Academy; \$535. ISA, 10575 Katy Freeway, Box 19600, Houston, TX 77024; (713) 932-9400.

August 10. *Accident Investigation and Analysis* seminar in Los Angeles, sponsored by the International Safety Academy; \$170. Also August 11 in Houston. ISA 10575 Katy Freeway, Box 19600, Houston, TX 77024; (713) 932-9400. ■

✓ IOWA POOL

LFMR June '82

The League of Iowa Municipalities (LIM) is concluding its first year of operating a pool providing workers' compensation and employers' liability coverage for participating cities. The 1981 contributions total \$400,000 and according to Larry Huntley, Administrator, are expected to increase to \$900,000 by the conclusion of the pool's second year. Coverage is currently provided to 75 of Iowa's 956 cities. Individual pool contributions range from \$275 to \$79,000.

The pool retains \$250,000 of every loss and purchases \$5 million of per occurrence excess insurance, written in two layers. In addition, the pool maintains \$1 million of aggregate excess protection. Aggregate coverage begins when losses exceed 70% of pool contributions for any policy year.

Mead Reinsurance provides the aggregate excess coverage and the first \$1 million per occurrence layer. The premium for these coverages is 15% of pool contributions. In addition, Mead also provides a "financial security en-

dorsement" to guarantee the pool's \$250,000 retention. This endorsement is provided at a cost of 1% of pool contributions.

The second layer of per occurrence excess protection is provided by the Old Republic Insurance Company. Old Republic covers \$4 million excess of the \$1 million Mead layer. The premium for this coverage is 1% of pool contributions.

Pool contributions are calculated by discounting the National Council on Compensation Insurance (NCCI) rates by 15%. Additional savings are likely, as the pool intends to distribute surplus to members. Dividends will be based on the individual member's loss experience and premium size. Initial loss experience has been favorable with the pool reporting a 32.1% loss ratio as of March.

Pool participation is limited to members of the League of Iowa Municipalities. Members with an experience modification factor of more than 1.00 are required to adopt a satisfactory safety program.

Loss control and claims administration services are provided by Hall Risk Management Services, Inc. Hall also provides brokerage services for the reinsurance placements.

For Additional Information Contact: Larry Huntley, League of Iowa Municipalities, Suite 100, 900 Des Moines Street, Des Moines, Iowa 50316 - (515) 265-9961. ■

Largest Dividend in History of KACo-KML Fund

Worker's Comp Fund Announces Dividend In Excess of Half Million Dollars!

Frankfort — The KACo-KML largest dividend in the fund's Member cities
Self Insurance Fund for history. This dividend will be have saved
Worker's Compensation
announced today.

*If your county is not participating in the KACo-KML Self
Insurance Fund for Worker's Compensation, please contact:*

Robert F. Hart, Jr.
KACo-KML Self Insurance Fund
P.O. Box 3024
Frankfort, Kentucky 40603
502/875-5874

Illness

UN-INSURED OR UNDER-INSURED?

Don't let your city suffer high insurance rates and uninsured losses!

80 CITIES HAVE SAVED A TOTAL OF \$1,030,000 WITH THE ILLINOIS MUNICIPAL LEAGUE RISK MANAGEMENT ASSOCIATION

— — — COVERAGES — — —

- Property — 6.0 million per loss per location
- General Liability & Auto Liability — 21 million any one occurrence
- Inland Marine & Auto Physical Damage — 3.5 million blanket per loss catastrophe limit
- Workers Compensation — 15 million any one occurrence

Enter the Program on the most cost effective date for you at a savings of up to 25% on your current insurance premiums.

FOR FURTHER INFORMATION CONTACT:

Springfield
 P.O. Box 3387
 Springfield, IL 62708
 (217) 525-1220

Peoria
 5835 Galena Rd.
 Peoria, IL 61614
 (309) 686-2050



Danville
 320 Vermilion
 Danville, IL 61832
 (217) 446-1089

Chicago
 210 West Illinois
 Chicago, IL 60610
 (312) 329-0292

Virginia Pool Declares First Dividend

The Virginia Municipal Group Self Insurance Association (VMGSIA) has declared its first dividend to members of the two-year old workers compensation pool which was started by the Virginia Municipal League. The dividend will average about 20% for the 46 members who participated in the 1980-81 fund year with 12 members receiving between 30% and 40%; 25 receiving between 20% and 30%, and only 9 receiving below 20%.

The dividend is composed of interest earnings and claims fund surplus. Virginia's Bureau of Insurance requires that approximately \$100,000 of the claims fund balance be retained for any claims incurred but not reported and for adjustments to current reserves.

Interest earnings are allocated on a pro rata basis calculated on the length of time the

member's premium was available for investment purposes. Members joining or making payments in the final 30 days of the fund year did not receive an interest credit.

Claims fund surplus is allocated on the basis of 60% of the individual member's claims fund balance net of expenses and reserves and excess losses. Excess losses are defined as the losses of those members whose claims exceeded their contribution to the claims fund. In the first year of the program, only five members had excess losses. The Association's Board feels that this distribution formula will encourage members with high loss ratios to improve their safety loss control programs in order to increase future dividends.

The pool which started in July 1980 increased its membership to 115 by June 1982, and annual premium rose from \$730,000 to over \$3.5 million. Membership includes cities, towns, counties, school boards and numerous special districts and agencies.

Anyone desiring more information about VMGSIA may contact Brad Harnes, deputy director of the league and administrator of the pool at Virginia Municipal League, Post Office Box 753, Richmond, Virginia 23206, (804) 649-8471.

July '82
MASSACHUSETTS LEAGUE
ENTERS GROUP INSURANCE
FIELD IN WORKERS COMP

Massachusetts Municipal Association
launched its new
workers compensation
insurance subsidiary

on July 1, with 65 local governments participating and an annual premium volume of \$2.3 million.

Massachusetts Interlocal Insurance Association is the title of the MMA insurance subsidiary. It is defined as a workers compensation safety group, not a pool, since intergovernmental pooling is not authorized under state law. MIIA is governed by a seven-member board consisting of four local government officials and three members of the MMA staff, including executive director Jim Segel who serves as MIIA president.

Old Republic Insurance Company serves as the

fronting insurance company and issues the policy. Safety, claims and other services are provided under contract with Frank B. Hall of Boston, and MIIA contracts with MMA for certain administrative and marketing services

INSURANCE PLAN AVAILABLE FOR MISSISSIPPI LOCAL GOVERNMENT

Blair, Follin, Allen & Walker of Mississippi, Inc. announce the establishment of a local government insurance plan in Mississippi. It tracks a successful operations in Tennessee, Alabama, Georgia, Kentucky, Oklahoma, and Arkansas where over 800 public entities are insured under the plan. As general agents for the Home Insurance Group, they are offering broad Comprehensive General Liability, Automobile, Inland Marine, Public Officials Errors & Omissions Liability, Property and Workmen's Compensation coverages on a brokerage basis. Through other admitted carriers they can also place Law Enforcement Agency Comprehensive Liability and excess or umbrella liability.

In Mississippi, the plan is available only through members of the Independent Insurance Agents of Mississippi

or any agent of the Home Insurance Company.

The Comprehensive General Liability policy covers as named insureds all city officials, employees and volunteers. Bodily injury, property damage and personal injury liability is provided for all law enforcement personnel and firemen. Further, provide blanket contractual, blanket independent contractors and blanket "XCU" coverages. E.M.T.s are also covered under this policy as well as school teachers liability, including Corporal Punishment.

Automobile coverages include all fire trucks, police vehicles, buses and all other emergency vehicles.

Public Officials Errors & Omissions Liability coverage is designed to protect the personal assets of individuals

in public office. The cost of defense as well as judgments are covered under the policy. This program is tailored to meet the needs of each city and contains the broadest coverages available.

As part of the services the general agency will also assist your local agents in preparing bid specifications for distribution to agents and insurance companies of your choice. They are also available to analyze your current programs and offer suggestions for treatment of the special operational risks involved in city government.

In addition to the services provided above, they also offer the following support services in cooperation with the Home Insurance Company: (1) Safety Engineering and Loss Control; (2) Claims Service; (3) Research and Development.

NCACC Board Of Directors Hears Worker Comp Story

NEW BERN — Sixty-eight counties are enrolled in the Association's self-funded workers compensation program as of May 31, 1982, the Association's Board of Directors was informed at a regular meeting here June 18.

In addition, a representative of the Fred S. James and Company, which administers the program, said several more, that are up for renewal as of July 1, had indicated interest in joining.

As to return of first year-end surplus premium dollars to member counties, it was reported that the final decision on amount and timing of the "dividend" payment will be made by the Board of Trustees of the program.

The James representative reported slightly over 50 percent of each premium dollar will be required to meet all claims and administrative costs for the first year. He said James will recommend that approximately

half (or 20 to 25%) of the remaining 40 to 45 percent will be paid out as a dividend in January of 1983. The rest of that "surplus" will be paid out over the following two years, providing there are no unanticipated major claims. In the interim, interest on the undivided "surplus" will be added to the principal and paid out at the same rate.

Health Insurance

The Board adopted the recommendation of an advisory committee that the Association establish, conditional upon sufficient interest shown, a self-insured group plan for providing health and hospitalization benefits to employees of interested counties.

The plan will be marketed through the Fred S. James & Company. Initially, James will solicit each county to determine if there is sufficient interest (defined as a minimum of 1500 total employees to be covered in the group plan) to establish such a group plan. If so, the plan is scheduled to be implemented January 1, 1983.

Other Actions

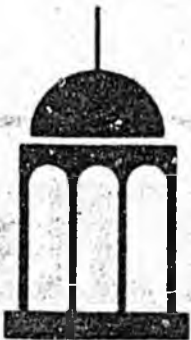
In other matters, the Board received a report from Executive Director Ron Aycok about plans for the forthcoming Annual Conference in Raleigh August 12-15 -- the 75th Annual Conference.

It also:

--adopted an official policy on Association interaction with affiliated organizations, based on a proposal from the Commission on Means and Alternatives which was presented after consultation with existing affiliates; and

--received a report from Field Administrator Robert Hester on his activities since joining the staff. He had visited, at that time, 46 counties to consult with county commissioners and county employees.

(Continued on Page 8)



TENNESSEE COUNTY NEWS

Vol. 5, No. 3



A PUBLICATION OF THE TENNESSEE COUNTY SERVICES ASSOCIATION

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July-August 1982



Insurance Fund Pays Off

Loudon County received a \$8,300 dividend check last month for their participation in the TCSA Workers Compensation Self-Insurance Program for 1981. From left are Buddy Jenkins, Loudon County purchasing agent; Louis Midden, Corroon & Black Benefits, Inc.; June Cusick, Loudon County Director of Accounts and Budgets; William Russell, Loudon County Executive, and Rutie Watson of R.M. Gray Insurance Company.

"The TCSA Workers' Compensation Self Insurance Fund has already saved Bradley County over \$19,438."



— Carl Colloms,

Bradley County Executive

"The cost of insurance is one area where county governments can realize substantial savings. Here in Bradley County, participation in the TCSA Workers' Compensation Self Insurance Fund is a big money saver. In the short time we have been members of the fund, we saved over \$19,438—many times more than our association dues. Of this amount, \$5,673 was direct savings to the county highway department. And we've been told to expect even greater savings next year, if our loss ratio continues to improve. Of course the savings are important, but so is service. Since the Fund was created by TCSA, our own state association, we expect prompt answers to our questions and ready access to Fund administrators. We get it . . . everytime.

"We're saving money and getting the best service around. And the Fund has unlimited catastrophe and frequency of loss excess coverage. That means Bradley County is fully protected. That's what I call the best insurance deal in town."

New ideas in risk management have opened new possibilities in the area of worker's compensation. Administered by Tennessee-based Corroon and Black, a nationally recognized insurance brokerage firm approved by NACo, and bid through local insurance agents, the TCSA Workers' Compensation Self Insurance Fund can help you stretch your tax dollars. More than 35 Tennessee counties are already enjoying substantial savings through their participation in the Fund. For more information, contact Dick Hammer, P.O. Box 78, Nashville, TN 37202; or call (615) 367-9702.



TCSA Self-Insurance Fund

VERMONT LEAGUE
ORGANIZES TRUST
FOR HEALTH INSURANCE

Vermont League of
Cities and Towns has
organized a non-profit
corporation to pro-

vide health insurance benefits for municipal employees. The trust has contracted with Connecticut General Life Insurance Company to provide coverage under three different plans with varying levels of benefits.

The five-member board of directors of VLCT Municipal Health Insurance Trust, Inc., is named by the league board of directors, and the trust purchases administrative services from the league. Working with a consultant, the trust is seeking new ways of achieving health cost containment in the new program.

Details are available from Vermont League director Bob Stewart.

CONNECTICUT POOL
SHOWS GROWTH IN
MEMBERS, PREMIUMS

The number of public
agencies participating
in the Connecticut
league's workers com-

ensation pool has tripled since the program was founded in 1980.

Connecticut Interlocal Risk Management Agency (CIRMA) has become one of the largest providers of worker's compensation coverage in Connecticut, serving 57 municipalities and local public agencies.

- As of July 15, 1982, 44 municipalities (34 with boards of education) and 13 local public agencies (transit districts, housing authorities, etc.) purchase their worker's compensation coverage through CIRMA. Current membership has increased by 200 percent over CIRMA's original membership of 19.
- CIRMA's deposit premiums for the 1982-83 fiscal year total \$7,057,575 -- nearly double the July 1, 1980 total of \$3,646,412.
- CIRMA now provides workers' compensation coverage for over 20,000 local public employees throughout Connecticut.

Although CIRMA's membership grew substantially in 1981-82, the total incurred losses in that year decreased by 9.5 percent from the previous year.

In addition to its annual up-front discount of 15%, CIRMA also distributes members' equity -- its excess of income over expenses. In the first year, CIRMA's financial statements reflected a \$1,019,968 excess of income over expenses of which \$919,968 was unrestricted.

The CIRMA Board of Directors decided to distribute \$500,000 to the 22 eligible 1980-81 members and to retain the remainder as a reserve which may be distributed to those members at a later date.

Georgia Pool

The Georgia Municipal Association (GMA) is sponsoring a workers' compensation pool with a planned start-up date of October 1. The GMA Workers' Compensation Self-Insurance Fund will be governed by a Board of Trustees comprised of officials from the municipalities participating in the pool. Hall Risk Management, Inc. (HRM), of Orlando, Florida was selected to administer the program. This Frank B. Hall (FBH) subsidiary was selected from among 13 service companies that expressed interest. HRM has successfully established itself as the leader in state municipal league (SML) pool administration and currently administers at least 8 SML pools. (Another FBH subsidiary, Frank B. Hall Risk Management Inc. of Massachusetts, also administers municipal league programs in three other states.) GMA staff will provide day-to-day administration and liaison with HRM and pool members.

While actual savings cannot be estimated with certainty, initial discussions indicate that Georgia municipalities

may be able to receive up-front discounts of 15-20% off manual modified workers' compensation premiums. In addition, cities with good loss experience will be eligible to receive investment earnings sometime after the end of the first full calendar year.

HRM will have primary responsibility for marketing the program and plans to visit every city in the state, starting with those cities expressing an interest in participating.

Before the pool can begin operation, approval must be provided by the Georgia Insurance Commissioner's office. While the regulations applying to group workers' compensation funds in Georgia have been referred to as "complex" and the Commissioner's office as "strict" by GMA Executive Director W. Elmer George, the GMA is confident October 1 is a realistic pool inception date.

For additional information, contact: GMA, 3 Peachtree Street, Suite 2300, Atlanta, Georgia 30303 404/688-0472. ■

Idaho Workers' Compensation Dividend

Municipalities in Idaho will receive \$850,000 in dividends arising from workers' compensation premiums paid to the State Insurance Fund in 1980 and 1981. Individual dividends range in size from \$14 to \$107,842. The Idaho State Insurance Fund provides workers' compensation coverage for all governmental entities in the state. In addition, the fund announced that it was reducing standard premium charges for public entities by 20%.

The dividend was declared as the result of an actuarial study of the fund's claims reserves and surplus. The fund seeks to maintain one dollar of surplus for each dollar of premium paid into it. Surplus in excess of this amount is returned to the policyholders. Favorable investment and underwriting results in the past two years have produced a larger than expected dividend.

Dividends paid to individual policyholders are determined by two factors. Fifty percent of the dividend is based on the investment income of the fund. Policyholders receive a share of the fund's investment income based on the size of their premium contribution to the fund. The other 50% of the dividend is based on the policyholder's loss history.

Workers compensation plan gets official approval

ACCG won approval of the state insurance commissioner July 1, as expected, to initiate the workers compensation group self-insurance fund for which the association has been recruiting participants for about two months.

In June ACCG surpassed the number of participating counties and level of premium required to start up the plan. It only needed official approval of the insurance commissioner to go into effect.

First enrollees in the self-insurance plan are Bulloch, Elbert, Emanuel, Floyd, Greene, Jackson, Laurens, Putnam, Spalding, Taliaferro and Treutlen counties. Awaiting admission are Atkinson, Dougherty, Lowndes, Screven and Thomas counties.

The annual premium from the first 11 enrollees will amount to almost half a million dollars, but by the end of the year there may be three or four times as many counties covered in the plan.

To satisfy minimum requirements in the group plan's design, it was necessary to enroll at least 10 counties which together would cover 1,000 or more employees and provide an annual premium of \$300,000 collectively. ACCG exceeded each of those minimums at the beginning of summer.

The plan has been designed with safeguards to protect members from catastrophic losses. Two levels of reinsurance can be called into play in the event of a major loss. The fund is further protected by stringent state guidelines on safe investment vehicles.

Besides the advantages in lower premium costs for a group self-insurance plan, the ACCG fund can be expected to pay dividends after its first year of operation. Dividends will substantially reduce overall costs. Through the group management approach, these dividends can be returned to participating counties. Tax considerations favor investing much of the fund in Georgia, trustees say.

An important safety incentive is written into the plan. Counties whose loss experience stays within appropriate bounds will get a larger share of dividends than participants with poor safety records. Safety engineers and consultants will be made available to participating counties to help identify hazards and reduce workers compensation claims. Too, the ACCG plan is

committed to being vigilant for fraudulent claims which larger, private insurers might not investigate as thoroughly.

County officials who would like to examine the plan ACCG is offering

may request a conference with an insurance representative by phoning ACCG at 404-522-5022. Typically, new enrollees would activate their coverage on the anniversary date of existing policies.

Safety Expert Praises Workers' Comp. Pool

The effectiveness of the League's new Self-Insurance Workers' Compensation Pool was underscored recently when a state association safety official attested to its impact on reducing accidents and injuries in towns and cities.

David B. Holloway, Safety and Training Coordinator with the N.C. Association of Municipal Electric Systems, wrote S. Leigh Wilson, League Executive Director. Holloway particularly praised the safety training efforts of Hewitt, Coleman and Associates, Inc., the firm which is handling the pool for the League.

"Since July, 1981, when they began handling Workman's Compensation for many of our electric cities,

Arkansas Pool Responds To Criticism

The Municipal Vehicle Liability Program offered to Arkansas cities by the Arkansas Municipal League (AML) attracted 70 cities in its first three months of operation. Cities have saved an average of 35% through premium reductions. The program has drawn criticism from the Independent Insurance Agents Association. Some of the criticisms and AML responses are as follows:

1. *"No reinsurance"*
AML declined to purchase after investigating the reinsurance market. Cost was excessive, exposure did not justify reinsurance and it was decided that pool could make better use of funds by maintaining funds in program.
2. *"Punitive damages are not covered"*
Recent U.S. Supreme Court ruling held municipalities are exempt from punitive damages.
3. *"Physical damage coverage is not available"*
Coverage is available through a private insurer but AML recommends evaluation of self-insurance and use of a local

agent if desire to purchase.

4. *"Only basic limits of 25/50/15 are available"*

These limits respond to the limits required by state law, and immunity is available to municipalities by statutes and Supreme Court rulings in Arkansas.

5. *"The \$100 rate per vehicle is not necessarily a better rate than is available on the open market, especially on large fleets"*

The statement is accurate but, at least in part, because of availability of AML's program. The competitive response now offered by insurers is welcome.

6. *"The plan is ambiguous as to which vehicles are covered"*

Municipal-owned vehicles designed for highway use are covered at the rate of \$100 per vehicle and vehicles designed for non-highway use may be covered for \$10 per vehicle.

7. *"No insurance company underwrites or administers the program. There may be a lack of experienced personnel presenting and administering the plan"*

AML points out that the first sentence is correct and advantageous to cities because all funds are retained for the program and all investment earnings are available to help pay claims. The absence of insurer retention charges and commissions will greatly reduce the cost. AML does, however, have staff members experienced and licensed to administer the program. The General Adjustment Bureau, a firm often used by many insurers, coordinates claims adjustment.

GRMR Comment: This is the type of head-on response many pools have taken when faced with criticism leveled by agents. Pools should respond to criticisms point by point in a timely manner and target the audience to include municipal managers as well as the politicians. Be straightforward, correct and take credit for direct savings as well as decreasing rates overall by improving competition.

For more information on AML's program, contact: M.V.L.P., P.O. Box 38, North Little Rock, Arkansas 72115 (501) 758-1610. □



ALASKA MUNICIPAL LEAGUE
GROUP SELF-INSURANCE
FUND

WHAT IS IT?

The Alaska Municipal League Self-Insurance Fund is a separate and distinct association created in cooperation with the Alaska Municipal League for the purpose of providing municipalities with insurance coverage for workers' compensation, general liability, and auto liability at reasonable costs. It is a cooperative effort on the part of participating municipalities to save money and to improve coverage.

This type of cooperative effort is not new to the insurance field but in fact has existed throughout the country for the past twenty to thirty years. Through a cooperative approach to better coverage, the mass-purchasing power obtained through the combined strength of members means a stable, competitive source of insurance. It means maximum flexibility and maximum economy.

The program is patterned after other municipal systems and is basically established on a non-profit basis to benefit the members.

The proposal that has been accepted by the Alaska Municipal League was put together by Corroon & Black in consultation with the Public Entities National Company (PENCo), the National Association of Counties (NACo), and the AML Insurance Steering Committee.

We encourage the members to retain the services of their local broker if they wish. A commission is provided in the premium dollar for the agent of record. This is an "open" program.

WHY SHOULD YOUR MUNICIPALITY PARTICIPATE?

- ☐☐☐ This fund guarantees advance discounts on workers' comp greater than those usually offered by insurance companies because the program is not limited to the discounts established by the National Council on Compensation Insurance.
- ☐☐☐ The surplus in the program accrues to members of the group and not to an insurance company. Any resources remaining after claims and administrative costs are paid can be returned to the participating members as dividends and/or premium refunds rather than going to insurance company profits.
- ☐☐☐ Safety programs will be implemented and consultation services will be designed for the special needs of your municipality.
- ☐☐☐ This fund can provide better coverage because the policy coverages available in this program have been designed especially for public entities, avoiding the gaps often hidden in other policies.

By utilizing the agreement made by NACo/PENCo, the group program has vastly increased buying power in the insurance marketplace which reduces the cost of excess coverages. Insurance companies are much more receptive to large premiums such as there are with the various NACo members around the country. Each retains its own experience modification as promulgated by the National Council, debit or credit, less the advance discount mentioned above. On the other coverages, good experience will develop experience credits off the manual premiums, just as they would with a standard insurance company.

The cost of insurance is one area where municipalities can realize substantial savings and stretch their tax dollars. More than thirty state associations are now developing or have developed programs for counties through NACo/PENCo and at least twenty state associations have set up group pools or self-insurance funds for their member cities.

HOW WILL YOUR MUNICIPALITY BE PROTECTED?

The program will have a self-insured retention (SIR) of \$300,000 per occurrence on workers' compensation, \$100,000 SIR on general liability/auto liability, and a \$300,000 SIR for a combined retention per occurrence, both workers' comp and general liability/auto liability. This means the first \$300,000 of any loss (occurrence) for WC will be paid by the AML loss fund; the first \$100,000 of any loss for GL/auto will be paid by the AML loss fund; and the first \$300,000 of any loss involving both WC and GL/auto will be paid by the AML loss fund. Losses above these limits will be paid from the excess insurance. When claims in any year reach 70% of premium, all claims thereafter in that year will be paid by the excess insurance carrier. Because of the excess, one member's loss cannot bankrupt the program or affect another member's premium. There will be no additional assessments over and above the premium paid for coverage. Each member's annual premium will be computed based on that member's loss history, not by the loss history of the other members.

For further information on the AML Group Self-Insurance Fund contact:

Ginny Chitwood
Executive Director
Alaska Municipal League
204 North Franklin
Juneau, AK 99801

586-1325

WHO IS IT?

The business and affairs of the Fund will be managed by a five-member Board of Trustees appointed by the Board of Directors of the Alaska Municipal League and will serve, after the initial term, for a period of two years.

Members who have been asked to serve as of July 1, 1983 are as follows:

Edna Armstrong, Mayor
Matanuska-Susitna Borough
Nate Olemaun, Mayor
City of Barrow
Betty Glick, Assembly Member
Kenai Peninsula Borough
Don Koenigs, Mayor
City of Petersburg
Ginny Chitwood, Executive Director
Alaska Municipal League
(Constant Member)

Also serving (in an advisory capacity) will be representatives from AML associate groups:
Ross Kinney, Municipal Finance Officers' Association
Russ Walker, Alaska Municipal Attorneys' Association
Jim Van Altvorst, Alaska Municipal Management Association

Participating members of the Fund can be any municipal member in good standing of the Alaska Municipal League.



Pictured L to R: Corroon & Black representatives Kathy Gettys and Judith Stevens; AML Executive Director Ginny Chitwood; and Lee Baulkan, Senior Vice President of C&B's Advanced Risk Management Services Division.

Alaska
MUNICIPAL
League

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566-1325

210 ADMIRAL W
JUNEAU, ALASKA 99801

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST
JUNEAU ALASKA 99801

ALASKA MUNICIPAL LEAGUE Group Self-Insurance Program

FACT SHEET

- ** The self-insurance plan will offer \$10,000,000 all lines liability coverage, including automobile, general liability, and errors and omissions, with the broadest manuscript form available. This form is comparable to the one currently used by the Municipality of Anchorage and the State of Alaska.
- ** Workers' Compensation coverage will be included in the program at statutory limits.
- ** How does the program work?
 - 1) Premiums are paid to your fund for claims handling and investment.
 - 2) Premiums are figured on each individual member's exposure.
 - 3) A first year minimum credit on the premium of 15% will apply on the liability coverage.
 - 4) Individual experience modifications will be applied to the Workers' Compensation.
 - 5) Under the SIR (Self-Insured Retention) the fund would pay losses:
 - Workers' Compensation - The first \$300,000 of any loss;
 - General & Auto Liability - The first \$100,000 of any loss;
 - Combined WC, GL, AL - The first \$300,000 of any loss.
 - 6) The excess insurance comes into play:
 - a) When an occurrence payment reaches above the SIR levels indicated;
 - b) When losses in any one year reach a level of 70% of contributed premiums.
 - 7) The unearned premium and loss reserves are invested in the members behalf. Investment income comes back to the fund and dividends distributed to contributing members.
 - 8) Claims control, investigating and servicing is coordinated with each member to insure proper handling.
 - 9) Safety programs and consultation service are included and designed for public entities special needs.

** The AML plan produces initially reduced costs. Each municipality that requested premium quotations in 1982 received premium reductions of 20% to 40% on an average. Some municipalities are being so over-charged the premiums we quoted would result in a savings for them of almost 50%.

** Your local broker and your municipality retain their relationship. When you need something, you still call your broker. You have not lost their services.

** The loss fund will be invested which will provide additional revenue for the fund. This will result in two distinct sources of income for the members:

- 1) Investment and/or interest income earned; and
- 2) Underwriting profit: those funds not paid in claims are retained as "profit".

** Last year many insurance companies were quoted as saying "We can do the same thing as the AML plan, both in cost and coverage".

While it is true that the competition from the AML program encouraged many brokers and agents to "sharpen their pencils", there were still considerable savings as promised.

If there are more coverages in the AML program than you are now getting, ask your broker for a premium quotation so you can adequately compare programs.

** Q What happens if ten city employees are all killed in an airplane traveling to Anchorage from Fairbanks for a meeting?

A That question could probably fill volumes of pages, but there are some very basic answers as follows:

- 1) Since this is "one occurrence", the maximum amount paid out of the self-insured fund would be \$300,000. All sums over that would be paid by the excess carrier.
- 2) In reality, this would probably be a commercial airline and, therefore, the death claims would be paid by the airline if there was negligence involved.
- 3) Even if the self-insured retention paid the full \$300,000, there would probably be subrogation recovering most or all these funds.

** Q Can municipalities be assessed for more money to pay claims?

A No. The claims fund is set up to protect that by having an aggregate stop loss at 70% of contributed premium.

(Continued)

** Q What about loss experience and this dividend? Would a municipality showing good results have to pay as much as a municipality showing poor results?

A Two things need to be considered: 1) premium paid; and 2) dividends received.

- 1) Premiums - Each municipality retains its own experience modification and rating. Definite credit from premium is given to good loss control and experience.
- 2) Dividend - This can be handled in two ways, depending on the decision of the AML Board of Trustees and you, its members.
 - a) Level Dividend - Each member receives a dividend based on percentage of the fund. That percentage is applied to the amount of available monies for distribution.
 - b) Two-tier Dividend - This type provides for a dividend to be promulgated in two ways:
 - 1) On investment income interest, the member receives their percentage of the fund applied to the amount of income declared as a dividend;
 - 2) On the basis of underwriting profits, the member's loss experience would be taken into consideration.

** Q What if a whole city floods and is wiped out?

A Since this involves property insurance, not liability or workers' compensation, the fund is untouched. Floods are considered "Acts of God" and a city cannot be held liable for property damage or injury caused from Acts of God.

** Q If the bigger municipalities like Anchorage and Fairbanks do not join, can the rest really generate enough premium to fund something like this?

A The answer is most definitely yes. The very fact that these municipalities are so pleased with their self-insurance success is positive proof of the validity of the programs for a pool of smaller municipalities.

** Q Will we have Statutory Limits on our workers' compensation or is the \$10,000,000 enough?

A A look at the benefits statute will indicate that the \$10,000,000 limit is more than sufficient to cover losses; however, Statutory Limits are being considered and negotiated right now.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 24, 1983

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to workers' compensation. This bill authorizes municipalities to establish self-insurance groups, under Workers' Compensation Board regulations, in order to cover their liability for workers' compensation insurance under AS 23.30.

The essence of this bill is in the new AS 23.30.075(b) in sec. 1. It would give municipalities an alternative form of insuring their workers' compensation liabilities. Instead of purchasing insurance policies to cover their workers' compensation liabilities, two or more municipalities will be able to pool their resources and become self-insurers.

Other states which have enacted similar legislation have found that group self-insurance funds are able to provide at least equal benefits and service to its injured workers and usually more efficiently and at less cost to the employers.

The amendment to newly designated AS 23.30.075(c) is intended to clear up some awkward and confusing language. In doing so, one of the changes removes the reference to "the person actively in charge of the business of said corporation." If that person has authority to insure the corporation, he is already covered by the preceding clause of that sentence. If he does not, he should not be subjected to this kind of personal liability. Section 2's amendment of AS 23.30.265(19) merely recognizes the new AS 23.30.075(b).

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

THE LEGISLATURE OF THE STATE OF ALABAMA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 66
 Title "An Act relating to municipal self insurance for workers' compensation."
 Requested by Rules Committee Date 1/7/83

II. FISCAL DETAIL

Agency Affected Labor
 Program Category Affected Public Protection
 BRU, Program, Or Subprogram(s) Affected Admin. of Workers' Compensation
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)
 No fiscal impact.

SB 66

Amendments proposed

Add a new subsection to AS 21.03.021 to read:

(b) This title does not apply to a municipal self insurance pool or a public utility pool formed in accordance with AS 23.30.075(b).

In principle, what our program does is to buy a group insurance policy with a large deductible, and the deductible amount is shared within the group. Our retained risk on worker's compensation claims is \$200,000 per occurrence. Above that level, we are insured by an excess insurance company. Corroon & Black/Dawson & Company is our broker and has been since the beginning of our program. Each year they calculate what the commercial insurance premium would be for each of our members, including the individual expense modification for each member. Our Board of Directors then determines what discount, if any, will be allowed to the participants for that year. Discounts in our program have been: 1980-0, 1981-10%, 1982-15%, 1983-15%.

We have an active safety program for our members which is paid for as a cost of our self-insurance program. Claims are administered on a professional basis for us by Scott Wentzel Services. After paying expenses and claims (including reserves for claims not yet paid), we have finished each year with a substantial surplus which is held in trust for our members. This money is retained in the program for a few years in order to make sure we have an adequate reserve on hand, but these savings will be paid back to our members.

Our self-insurance program is one of the most important programs we have in helping our members hold down their costs which must be included in their rates for service. We urge that you approve amendments to SB 66 which will permit us to continue this important program.

Enclosed is a proposed CS for SB 66 which will accomplish this objective. If you want to require participants of self-insurance groups to guarantee the obligations of the group as we have done, this can be accomplished by adding a sentence at the end of the proposed AS 23.30.075 (b) as follows:

Each employer shall be jointly and severally liable for the legal obligations of the group.

Sincerely,



David Hutchens
Executive Director

COMMUNICATIONS

The secretary announced receipt of the Report on the Status of Land in the Land Disposal Bank in accordance with AS 38.04.020 (d), from Esther C. Wunnicke, Commissioner of Department of Natural Resources, dated January 15. The report is on file in the Secretary's office.

President Kerttula referred the above report to the Resources Committee.

The Secretary announced receipt of the Report on School District Capital Budget Requests in accordance with AS 14.08.161 (a)(3) from Marshall L. Lind, Commissioner of Department of Education, dated January 20. The report is on file in the Secretary's office.

President Kerttula referred the above report to the Finance Committee.

INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 66

SENATE BILL NO. 66 by the Rules Committee by request of the Governor, entitled:

"An Act relating to municipal self insurance for workers' compensation."

was read the first time and referred to the Labor and Commerce Committee and the Finance Committee.

Fiscal note is zero.

Governor's transmittal letter dated January 24 follows:

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to workers' compensation. This bill authorizes municipalities to establish self-insurance groups, under Workers' Compensation Board regulations, in order to cover their liability for workers' compensation insurance under AS 23.30.

SB 66 cont'd

The essence of this bill is in the new AS 23.30.075(b) in sec. 1. It would give municipalities an alternative form of insuring their workers' compensation liabilities. Instead of purchasing insurance policies to cover their workers' compensation liabilities, two or more municipalities will be able to pool their resources and become self-insurers.

Other states which have enacted similar legislation have found that group self-insurance funds are able to provide at least equal benefits and service to its injured workers and usually more efficiently and at less cost to the employer.

The amendment to newly designated AS 23.30.075(c) is intended to clear up some awkward and confusing language. In doing so, one of the changes removes the reference to "the person actively in charge of the business of said corporation." If that person has authority to insure the corporation, he is already covered by the preceding clause of that sentence. If he does not, he should not be subjected to this kind of personal liability. Section 2's amendment of AS 23.30.265(19) merely recognizes the new AS 23.30.075(b).

Sincerely,

/s/ Bill Sheffield
Bill Sheffield
Governor

ANNOUNCEMENTS

Announcements appear at the end of the Journal.

SPECIAL ORDERS

The President requested the Chairmen of the Judiciary Committee and the Resources Committee to meet with Senator Moss on Chapter 10, SLA 1982, CSSSB 162 (Final (old fld H), (special appropriations to the Department of Commerce and Economic Development for the Alaska Agricultural Action Council for a small grain marketing system).

ADJOURNMENT

Senator Ray moved and asked unanimous consent that the Senate adjourn until 10:00 a.m., January 25, 1983. Without objection, the Senate adjourned at 10:25 a.m.

Peggy Mulligan
Secretary of the Senate

January 1983

ANNOUNCEMENTS

C&RA Room 211	1/25, 3:00 p.m.	SB 1, SB 15, SB 17, SB 21, SB 37, SB 53
FINANCE Finance Room	1/24, 1:30 p.m.	Joint w/House operat- ing budget
HESS Room 506	1/26, 1:00 p.m. 1/28, 3:00 p.m.	Joint w/House E.O. 54 SJR 1
JUDICIARY Room 205	1/24, 3:00 p.m.	SB 13, SB 20, SB 24, SB 49
RESOURCES Room 118 Room 211 S Finance Rm.	1/24, 1:30 p.m. 1/28, 3:00 p.m. 1/31, 3:00 p.m.	DNR N. Anchorage land SR 1 SB 40, SB 41
STATE AFFAIRS H Finance Rm.	1/25, 3:00 p.m. 1/27, 3:00 p.m.	CANCELLED Joint w/House, E.O. 53
REAA Room 508	1/28, 9:00 a.m.	Fiscal comparisons
REGULATION REVIEW Room 211	1/26, 5:00 p.m.	Introductory
AK. STATEHOOD COMMISSION Room 206	1/25, 11:15 a.m.	Presentation to Legislators
LEG. COUNCIL Room 508	1/27, 3:00 p.m.	Organization
MINORITY CAUCUS	Upon adjournment	

SENATE JOURNAL

ALASKA STATE LEGISLATURE

THIRTEENTH LEGISLATURE - FIRST SESSION

JUNEAU, ALASKA MONDAY January 24, 1983

Eighth Day

Pursuant to adjournment the Senate was called to order by President Kerttula at 10:09 a.m.

The roll call showed nineteen members present. Senator Rodey was absent.

The prayer was offered by the Chaplain, Reverend John Tindell of the Northern Light United Church.

Senator Ray moved and asked unanimous consent that the journal for the fifth, sixth and seventh legislative days be approved as certified. Without objection, it was so ordered.

MESSAGES FROM THE GOVERNOR

Message of January 21 was read, stating pursuant to applicable law, the Governor submits the following names for legislative confirmation of appointment to:

UNIVERSITY OF ALASKA BOARD OF REGENTS

Appointed to eight-year terms beginning February 7, 1983:

Gordon Evans, Juneau
Roy Huhndorf, Anchorage
Ann Parrish, Anchorage
Ruth Burnett, Fairbanks

The above appointees were referred to the Health, Education and Social Services Committee.

Reciprocal

A reciprocal exchange is an American innovation, dating from the 1880's. It is a device whereby persons combine into a group to insure each other, to obtain protection at relatively low cost, and to obtain relatively broad coverage. An exchange does not issue policies. As its name implies, it provides a device whereby its members "exchange" insurance.

A subscriber receives protection for a certain amount of his own risk. He must then help "underwrite" coverage for the membership. If he has a loss, he will receive payment from all the other subscribers. Each member pays an amount based on his share of losses plus a further sum for expense of operation.

Reinsurance

Reinsurance is the assumption by one insurance company of all or a part of a risk undertaken originally by another insurance company. The company buying the reinsurance is called the ceding company or the reinsured; the one selling it is the reinsurer.

a.) Quota Share Reinsurance - In quota share the reinsurer agrees to accept a fixed percentage of the gross writings of the captive for which the reinsurer allows a ceding commission to cover prepaid expenses and hopefully a profit to the reinsured. For example, the reinsurer may agree to accept one third of the insurance in each policy of a given type. The reinsurer then relieves the captive of this proportion of the unearned premium reserve and loss reserves, and the two parties participate according to their respective proportion in future losses and loss expense.

b.) Surplus Share Reinsurance - This type of reinsurance differs from quota share only in its function, not in its operation. Instead of ceding a percentage of gross premiums as in quota share the reinsured establishes a pro rata retention or "line" on the individual risk and then cedes a fraction or a multiple of that line. For example, for business of a given type the primary insurer may keep the first \$10,000 per risk plus one third of each additional \$10,000 (or fraction thereof), the other two thirds being ceded.

c.) Excess of Loss Reinsurance - In "excess of loss" reinsurance the captive bears on its own account all loss up to the retention agreed upon; the reinsurer assumes all loss above the retention. Some contracts protect on a per risk basis and some on risks involved in a single event. There has also been use of this type of reinsurance to limit aggregate loss in any one year. This type of coverage enables the captive to confine fluctuations in loss ratio to a low or so-called "working level", where it is more likely to be stable. Obviously the shock of the catastrophic event is eliminated.

ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON

LABOR AND COMMERCE COMMITTEE, CHAIRMAN
RESOURCES COMMITTEE
JUDICIARY COMMITTEE
FISHERIES SUB-COMMITTEE



P.O. BOX 143
SITKA, ALASKA 99835
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4916

MEMORANDUM

all members Labor & Commerce

TO: Sen. ~~John Sackett~~

FROM: Sen. Dick Eliason, Chair
Senate Committee on Labor and Commerce

DATE: Feb. 9, 1983

RE: SB 66 - "An Act relating to municipal self insurance for
worker's compensation."

Senate Bill 66 will be discussed by the Committee on Labor and Commerce during a hearing scheduled for Feb. 10 at 1:30 p.m. This bill was introduced by the Rules Committee at the request of the Governor. It would allow two or more municipalities to enter into an agreement to organize a self-insurance group in order to cover their liability for Worker's Compensation insurance.

Pertinent back-up material will be provided at the time of the hearing. However, if you would like to preview the material, please contact Sheila Peterson, of my staff, at 465-4916. Thank you.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 24, 1983

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to workers' compensation. This bill authorizes municipalities to establish self-insurance groups, under Workers' Compensation Board regulations, in order to cover their liability for workers' compensation insurance under AS 23.30.

The essence of this bill is in the new AS 23.30.075(b) in sec. 1. It would give municipalities an alternative form of insuring their workers' compensation liabilities. Instead of purchasing insurance policies to cover their workers' compensation liabilities, two or more municipalities will be able to pool their resources and become self-insurers.

Other states which have enacted similar legislation have found that group self-insurance funds are able to provide at least equal benefits and service to its injured workers and usually more efficiently and at less cost to the employers.

The amendment to newly designated AS 23.30.075(c) is intended to clear up some awkward and confusing language. In doing so, one of the changes removes the reference to "the person actively in charge of the business of said corporation." If that person has authority to insure the corporation, he is already covered by the preceding clause of that sentence. If he does not, he should not be subjected to this kind of personal liability. Section 2's amendment of AS 23.30.265(19) merely recognizes the new AS 23.30.075(b).

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

January 31, 1983

REPORT NO. 2INTRODUCTION OF BILLS (Senate)

Workers' Compensation
(municipal self insurance)

SENATE BILL NO. 66, by the Rules Committee by request of the Governor. Would allow two or more municipalities to enter into an agreement to organize a self-insurance group in order to cover their liability for Workers' Compensation insurance under AS 23.30.

Sec. 1 amends AS 23.30.075, "Employer's Liability to Pay," by adding new (b) which authorizes municipalities to organize into self-insurance groups. Also amends confusing language in subsequent paragraph of 23.30.075 (see Governor's letter, below). Sec. 2 amends the definition of "self-insurer" contained in AS 23.30.265(19) to include members of municipal self-insurance groups.

Introduced January 24 and referred to Labor & Commerce and Finance.

In his message transmitting the bill to the Senate for consideration, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to workers' compensation. This bill authorizes municipalities to establish self-insurance groups, under Workers' Compensation Board regulations, in order to cover their liability for workers' compensation insurance under AS 23.30.

The essence of this bill is in the new AS 23.30.075(b) in sec. 1. It would give municipalities an alternative form of insuring their workers' compensation liabilities. Instead of purchasing insurance policies to cover their workers' compensation liabilities, two or more municipalities will be able to pool their resources and become self-insurers.

Other states which have enacted similar legislation have found that group self-insurance funds are able to provide at least equal benefits and service to its injured workers and usually more efficiently and at less cost to the employer.

The amendment to newly designated AS 23.30.075(c) is intended to clear up some awkward and confusing language. In doing so, one of the changes removes the reference to "the person actively in charge of the business of said corporation." If that person has authority to insure the corporation, he is already covered by the preceding clause of that sentence. If he does not, he should not be subjected to this kind of personal liability. Section 2's amendment of AS 23.30.265(19) merely recognizes the new AS 23.30.075(b).

Utility Facilities
(relocation of by munic.)

SENATE BILL NO. 67, by the Labor & Commerce Committee. Would grant municipalities the authority to order a utility to relocate its facility if necessary for construction of a highway project. Would allow a municipality to order reloca-

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

P. O. BOX 1149
JUNEAU, ALASKA 99802
Phone: (907) 465-2700

February 7, 1983

The Honorable Richard I. Eliason
Chairman, Senate Labor & Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason;

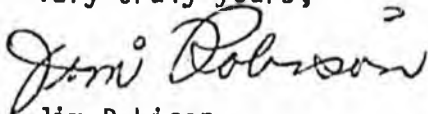
Proposed legislation in Senate Bill 66 allows municipalities to pool their workers' compensation liabilities and claims handling under a group self-insurance concept. It has been suggested that the language of this bill be broadened to include public utilities. Neither the Department nor the Workers' Compensation Board object to the concept of group self-insurance for municipalities or public utilities; however, the groups must be subject to regulatory criteria similar to other self-insured employers to insure that the group is financially able to cover its liabilities to employees.

The effect of group self-insurance is potential savings in employer premium costs. This would be particularly advantageous to small municipalities or public utilities which do not have the financial ability to individually self-insure their risks, but could pool their liabilities under a group fund. ARECA, at one time, was issued a self-insurance certificate which was not renewed when the Attorney General advised that the Workers' Compensation Board did not have the authority to grant this self-insurance. The Board had no problems with ARECA during the period of self-insurance and their safety record was good.

I would suggest that the committee contact the Division of Insurance on this issue, since it can be argued that a "group self-insured" falls more under the jurisdiction of Title 21 than Title 23.

Thank you for the opportunity to comment.

Very truly yours,



Jim Robison
Commissioner

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P. O. BOX 1149
JUNEAU, ALASKA 99802

Phone: (907) 465-2700

February 7, 1983

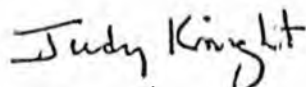
The Honorable Richard I. Eliason
Chairman, Senate Labor & Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

Sheila Peterson, your Researcher, had requested a fiscal note on Senate Bill 66 if the bill were amended to include "public utilities." This amendment would not change the fiscal impact and a zero fiscal note would be submitted by the Department of Labor.

I will be happy to prepare a revised fiscal note when or if you have a committee substitute drafted which I assume would have a new title. Please contact me when the fiscal note is needed.

Sincerely,



Judy Knight
Special Assistant
to the Committee

MSG 83-00005791 PRTY 1 02/02/83 17:13:37 ORIG: LA03 IN= 0004 OUT= 0110
FROM: JUNE, ANC LIO TO: POM, JNU INFO
TARGET: LJHL SUBJ: POM

2/2/83, JUNE, ANC LIO, MSG 5791

TO: SENATORS BENNETT, SACKETT, FERGUSON, JOSEPHSON, FAIKS, V. FISCHER,
MULCHAY, ELIASON, AND RODAY

FROM: BOB NESTLE
P. O. BOX 1753
EAGLE RIVER, AK 99577 (H) 694-4372

SB 66 AN ACT RELATING TO MUNICIPAL SELF-INSURANCE FOR WORKERS COMPENSATION
LINES 21 AND 22 SHOULD READ 'TO ORGANIZE A SELF-INSURANCE GROUP IN ORDER TO
POOL OBLIGATIONS UNDER THIS CHAPTER'. THE TERM LIABILITIES MAY BE CON-
SIDERED TO MEAN THE OTHER WORKERS COMPENSATION.

Sheda - FYI

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

P. O. BOX 1149
JUNEAU, ALASKA 99802

Phone: (907) 465-2700

February 7, 1983

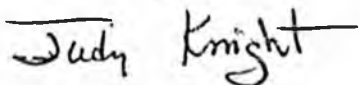
The Honorable Richard I. Eliason
Chairman, Senate Labor & Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

The question has been posed if the term "obligations" should be substituted for the term "liabilities" in Senate Bill 66. After discussing with Assistant Attorney General Gary Amendola, it is our recommendation that "liabilities" is the more appropriate term and maintains consistency in the Alaska Workers' Compensation Act (AS 23.30). By inserting the new word, it may raise some doubt if obligations and liabilities are the same.

Thank you for the opportunity to comment.

Sincerely,



Judy Knight
Special Assistant
to the Commissioner



ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

6000 C STREET • SUITE C • ANCHORAGE, ALASKA 99502 • (907) 278-3235

January 26, 1983

Senate Labor and Commerce Committee
Alaska State Legislature
Capitol Building
Pouch V
Juneau, Alaska 99811

RE: Senate Bill 66

Gentlemen:

I am sure that permitting the Alaska Municipal League to establish a group self-insurance program, as Senate Bill 66 now does, is in the public interest. However, we very strongly urge that this bill be expanded at least to include the utility industry. Our association has successfully operated a group self-insurance program for three years, but our program faces termination unless favorable legislation is enacted this year.

In 1979, the Alaska Rural Electric Cooperative Association applied to the Workers' Compensation Board for a self-insurance certificate for our member utilities. The certificate was issued effective January 1, 1980 and was renewed for a year effective January 1, 1981. Our program has been completely successful in meeting its obligations to the employees of its participants and in saving the participants substantial sums of money in insurance costs. Other associations, including the Municipal League, expressed interest in adopting group self-insurance programs modeled after ours.

At the beginning of 1982, our certificate was renewed for only a few months, and we were told that the Board was "reviewing the situation." In February 1982, Ms. Jacqueline McClintock of the Department of Labor requested an Attorney General's opinion regarding the legal status of group self-insurance programs in Alaska. In April, the Attorney General's opinion declared that since group self-insurance is not specifically mentioned in the Alaska statutes and it is in some other jurisdictions, it can be interpreted that group self-insurance is not authorized in this state.

Based on this opinion from the Attorney General, the Workers' Compensation Board terminated our certificate effective September 30, 1982. We appealed this action to the Superior Court, and we were successful in obtaining a stay of the Board action pending appeal. At the present time we are self-insured as a group by order of the Superior Court.

DEMOCRACY IN ACTION

In principle, what our program does is to buy a group insurance policy with a large deductible, and the deductible amount is shared within the group. Our retained risk on worker's compensation claims is \$200,000 per occurrence. Above that level, we are insured by an excess insurance company. Corroon & Black/Dawson & Company is our broker and has been since the beginning of our program. Each year they calculate what the commercial insurance premium would be for each of our members, including the individual expense modification for each member. Our Board of Directors then determines what discount, if any, will be allowed to the participants for that year. Discounts in our program have been: 1980-0, 1981-10%, 1982-15%, 1983-15%.

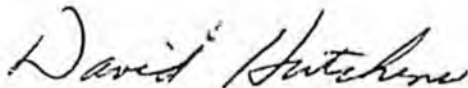
We have an active safety program for our members which is paid for as a cost of our self-insurance program. Claims are administered on a professional basis for us by Scott Wentzel Services. After paying expenses and claims (including reserves for claims not yet paid), we have finished each year with a substantial surplus which is held in trust for our members. This money is retained in the program for a few years in order to make sure we have an adequate reserve on hand, but these savings will be paid back to our members.

Our self-insurance program is one of the most important programs we have in helping our members hold down their costs which must be included in their rates for service. We urge that you approve amendments to SB 66 which will permit us to continue this important program.

Enclosed is a proposed CS for SB 66 which will accomplish this objective. If you want to require participants of self-insurance groups to guarantee the obligations of the group as we have done, this can be accomplished by adding a sentence at the end of the proposed AS 23.30.075 (b) as follows:

Each employer shall be jointly and severally liable for the legal obligations of the group.

Sincerely,



David Hutchens
Executive Director



TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

ALASKA MUNICIPAL LEAGUE
Group Self-Insurance Program

FACT SHEET

- ** The self-insurance plan will offer \$10,000,000 all lines liability coverage, including automobile, general liability, and errors and omissions, with the broadest manuscript form available. This form is comparable to the one currently used by the Municipality of Anchorage and the State of Alaska.
- ** Workers' Compensation coverage will be included in the program at statutory limits.
- ** How does the program work?
 - 1) Premiums are paid to your fund for claims handling and investment.
 - 2) Premiums are figured on each individual member's exposure.
 - 3) A first year minimum credit on the premium of 15% will apply on the liability coverage.
 - 4) Individual experience modifications will be applied to the Workers' Compensation.
 - 5) Under the SIR (Self-Insured Retention) the fund would pay losses:
 - Workers' Compensation - The first \$300,000 of any loss;
 - General & Auto Liability - The first \$100,000 of any loss;
 - Combined WC, GL, AL - The first \$300,000 of any loss.
 - 6) The excess insurance comes into play:
 - a) When an occurrence payment reaches above the SIR levels indicated;
 - b) When losses in any one year reach a level of 70% of contributed premiums.
 - 7) The unearned premium and loss reserves are invested in the members behalf. Investment income comes back to the fund and dividends distributed to contributing members.
 - 8) Claims control, investigating and servicing is coordinated with each member to insure proper handling.
 - 9) Safety programs and consultation service are included and designed for public entities special needs.

** The AML plan produces initially reduced costs. Each municipality that requested premium quotations in 1982 received premium reductions of 20% to 40% on an average. Some municipalities are being so over-charged the premiums w^o quoted would result in a savings for them of almost 50%.

** Your local broker and your municipality retain their relationship. When you need something, you still call your broker. You have not lost their services.

** The loss fund will be invested which will provide additional revenue for the fund. This will result in two distinct sources of income for the members:

- 1) Investment and/or interest income earned; and
- 2) Underwriting profit: those funds not paid in claims are retained as "profit".

** Last year many insurance companies were quoted as saying "We can do the same thing as the AML plan, both in cost and coverage".

While it is true that the competition from the AML program encouraged many brokers and agents to "sharpen their pencils", there were still considerable savings as promised.

If there are more coverages in the AML program than you are now getting, ask your broker for a premium quotation so you can adequately compare programs.

** Q What happens if ten city employees are all killed in an airplane traveling to Anchorage from Fairbanks for a meeting?

A That question could probably fill volumes of pages, but there are some very basic answers as follows:

- 1) Since this is "one occurrence", the maximum amount paid out of the self-insured fund would be \$300,000. All sums over that would be paid by the excess carrier.
- 2) In reality, this would probably be a commercial airline and, therefore, the death claims would be paid by the airline if there was negligence involved.
- 3) Even if the self-insured retention paid the full \$300,000, there would probably be subrogation recovering most or all these funds.

** Q Can municipalities be assessed for more money to pay claims?

A No. The claims fund is set up to protect that by having an aggregate stop loss at 70% of contributed premium.

(Continued)

** Q What about loss experience and this dividend? Would a municipality showing good results have to pay as much as a municipality showing poor results?

A Two things need to be considered: 1) premium paid; and 2) dividends received.

- 1) Premiums - Each municipality retains its own experience modification and rating. Definite credit from premium is given to good loss control and experience.
- 2) Dividend - This can be handled in two ways, depending on the decision of the AML Board of Trustees and you, its members.
 - a) Level Dividend - Each member receives a dividend based on percentage of the fund. That percentage is applied to the amount of available monies for distribution.
 - b) Two-tier Dividend - This type provides for a dividend to be promulgated in two ways:
 - 1) On investment income interest, the member receives their percentage of the fund applied to the amount of income declared as a dividend;
 - 2) On the basis of underwriting profits, the member's loss experience would be taken into consideration.

** Q What if a whole city floods and is wiped out?

A Since this involves property insurance, not liability or workers' compensation, the fund is untouched. Floods are considered "Acts of God" and a city cannot be held liable for property damage or injury caused from Acts of God.

** Q If the bigger municipalities like Anchorage and Fairbanks do not join, can the rest really generate enough premium to fund something like this?

A The answer is most definitely yes. The very fact that these municipalities are so pleased with their self-insurance success is positive proof of the validity of the programs for a pool of smaller municipalities.

** Q Will we have Statutory Limits on our workers' compensation or is the \$10,000,000 enough?

A A look at the benefits statute will indicate that the \$10,000,000 limit is more than sufficient to cover losses, however, Statutory Limits are being considered and negotiated right now.

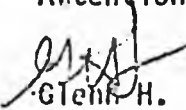
Wilson L. Condon
Attorney General
Department of Law

March 19, 1982

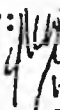
AM-3

Attention: Gary Amendola
Assistant Attorney General

465-2790


Glenn H. Lundell
Deputy Commissioner
Department of Labor

Request for Attorney General's
Opinion - Interpretation of
AS 23.30.075, AS 23.30.090,
AS 23.30.265(12)

By:  Jacquelyn L. McClintock
Director
Workers' Compensation
Department of Labor

The purpose of this request is to obtain an opinion as to whether or not the Board has the authority under the above statutes to grant approval for "Group Self-Insureds".

Under the provisions of AS 23.30, an employer is required to provide workers' compensation insurance to cover injuries to its employees. Provision is also made under §.075 and §.090 for an employer to self-insure its liability upon furnishing the Board satisfactory proof of his financial ability to pay workers' compensation benefits directly.

The term "self-insurance" as used in connection with individual firms commonly refers to that firm's retaining risk and paying the losses out of working capital. The Board's authority to grant an employer self-insurance status is specific under §.090, in effect since 1959.

"Group" or "association" self-insurance pools refers to a group self-insurance plan which is sponsored by a trade association or similar organization for the participation in and benefit of the members of that association. This concept has been getting considerable attention nationwide in recent years and several Alaska employer groups have undertaken a review of this concept for the purpose of pooling their liabilities.

Until 1979, the Board had never been presented with the issue of granting approval for a group self-insured. Apparently, the argument given for Board consideration was that nothing in the Act prohibited such action. The Board in October 1979, granted the Alaska Rural Electric Cooperative Association a self-insurance certificate for a group consisting of fifteen electrical cooperatives throughout the state. This is the only association that has been granted group self-insurance status, however, it is our understanding that similar plans will be submitted for Board approval in the near future.

According to the 1981 edition of the Analysis of Workers' Compensation Laws, 20 states and the Longshore Act specifically permit group self-insurance, either under the self-insurance concept or through formation of mutual insurance

associations. In researching the laws of the majority of those states that permit groups under the self-insurance concept, it would appear that enabling legislation was passed which specifically provided for group pooling of employers' liabilities. Those states researched include Alabama, Arkansas, Florida, Kentucky, Louisiana, Maine, Michigan, Minnesota, New York, North Carolina and South Carolina. We do not have current copies of all the states' workers' compensation laws nor of the Longshore Act; however, we are forwarding with this memo selected copies of the workers' compensation laws on file along with several topical articles on the subject of group self-insurance.

An issue that has been raised relates to the definition of "employer" under AS 23.30.265(12). That definition refers to the employer in the singular, as does the language contained in §.075 and §.090. The argument made is that since under the general provisions of AS 01.10.050(b), words in the singular include plural and words in the plural include singular, the definition of employer may be expanded to include two or more employers as a self-insured. This interpretation would appear overly broad since the concept of group self-insurance differs significantly from individual self-insurance.

In summary, our research leads us to believe that the Alaska Workers' Compensation Board may not have the authority to grant group self-insurance without enabling legislation. As you are aware, we have submitted proposed language in HB 659 which would specifically grant such Board authority.

Depending on the opinion, we have a closely related issue as to whether or not the Alaska Municipal League may enter into a group self-insurance plan, without specific authority in the Alaska Workers' Compensation Act, under the cooperative agreement clause contained in AS 29.48.010, .310, .320, .330, and under Article 10, Section 13 of the State of Alaska Constitution.

We are forwarding to you informational data provided by the Alaska Municipal League which explains and supports their position on this issue. We would also direct your attention to the article entitled "Public Pooling" from the January 1981 issue of Business Insurance, which specifically speaks to municipal self-insurance pools.

Please feel free to call this office and Don Koch, Division of Insurance, if you wish to further discuss this matter.

GHL:JLM:wjp
Attachments

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

JAY S. HAMMOND, GOVERNOR

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

465-3603

August 31, 1982

RECEIVED
JUNEAU SEP 02 1982

Roger R. Kemppe, Esq.
Kemppe, Huffman & Ginder
255 E Fireweed Lane, Suite 200
Anchorage, AK 99503

Re: Alaska Rural Electric
Cooperative Association, Inc.
Self-Insurance Certificate

Dear Roger:

First of all let me apologize for the delay in responding to your letter of July 28, 1982. I have been out of the office since August 18, 1982 and before that time was involved with a special project that had my full attention for quite some time. The bottom line is that I did not have the opportunity to respond to your letter before now.

Regardless of paragraph seven of the ARECA Self-Insurance Fund Adoption Agreement, it is our opinion that the Division of Worker's Compensation may not extend ARECA's Self-Insurance Certificate. To do so would be to, as the old saying goes, exalt form over substance.

Even though ARECA is named as the sole employer for the purpose of obtaining workers' compensation insurance, the fact is that each member of the cooperative association is an individual employer, a distinct and separate entity from the fund except for the purpose named above.

There are other parts of ARECA's agreement which make it different than a sole employer obtaining a self-insurance certificate and different even than normal group self-insurance fund. There is no contractual arrangement which requires each member to indemnify the others in regard to their workers' compensation liabilities. You may have members of ARECA that would not qualify for a Self-Insurance Certificate on their own. Because there is no indemnity agreement and because paragraph twelve apparently limits the Fund's liability, a scenario could be envisioned wherein workers' compensation liabilities for a particular employer within your membership could not be covered.

Roger R. Kemppe, Esq.
ARECA Self-Insurance Certificate
Page 2

August 30, 1982

REC'D
JUNEAU SEP 02 1982

Further, the limits of liability indicated by paragraph twelve reveal that the Fund is not an "employer" since an employer may not limit the recovery of workers' compensation benefits solely to the amount of insurance it purchases.


In short, at this point we see no reason not to abide by our original decision that ARECA's Self-Insurance Certificate be revoked as of September 30, 1982.

I will be out of the office again until September 27, 1982. If you must be in contact before that time, please direct your communications to Bruce Botelho.

Thank you very much.

Yours truly,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
Gary T. Amendola
Assistant Attorney General

cc: Jackie McClintock

GIA/bap

MEMORANDUM

State of Alaska

TO: Jacquelyn L. McClintock, Director
Division of Workers' Compensation
Department of Labor

DATE: April 19, 1982

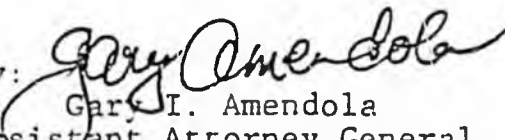
FILE NO: J66-562-32

TELEPHONE NO: 465-3603

FROM: WILSON L. CONDON
ATTORNEY GENERAL

SUBJECT: Authority of
Workers' Compensation
Board to permit group
self-insurance under
AS 23.30.

by:


Gary I. Amendola
Assistant Attorney General

You have requested an opinion as to whether the Workers' Compensation Board has the authority under the Workers' Compensation statutes to grant approval for self-insurance pools. You have also requested an opinion whether the Workers' Compensation Board may authorize the Alaska Municipal League to form a group self-insurance pool for workers' compensation.

AS 23.30.075(a) reads as follows:

Employer's liability to pay. (a) An employer under this chapter, unless exempted, shall either insure and keep insured for his liability under this chapter in an insurance company or association duly authorized to transact the business of workers' compensation insurance in this state, or shall furnish the board satisfactory proof of his financial ability to pay directly the compensation provided for. If an employer elects to pay directly, the board may, in its discretion, require the deposit of an acceptable security, indemnity or bond to secure the payment of compensation liabilities as they are incurred.

AS 23.30.090 requires the Workers' Compensation Board to issue a certificate to those employers who qualify as self-insurers and who have filed satisfactory proof of those qualifications, i.e., that the employer has the financial ability to directly pay workers' compensation benefits provided for under AS 23.30.

Under Alaska law an employer must provide workers' compensation benefits for all employees, unless exempted, and can do so by either insuring with a duly authorized insurance company or association or by becoming self-insured.

AS 23.30.265(19) defines "self-insurer" as "an employer who, instead of insuring his liability under this chapter as it provides, elects to pay directly the compensation provided for, and who has furnished to the board satisfactory proof of his financial ability to make the direct payments." The law expressly provides only the two methods by which employers may secure workers' compensation benefits for their employees. No reference is made to group self-insurance or to the pooling of employers' liabilities. Whether the sections of AS 23.30.075 are read in the singular or plural (see AS 01.10.050(b)), the plain meaning of the law does not include the concept of group self-insurance pools.

The concept of group self-insurance differs substantially from the individual self insurance provisions of the Alaska Workers' Compensation statutes. Group self-insurance pools typically require that employers engaged in similar businesses and having similar risk exposures form an association. Normally, the association would appoint a board of trustees, which in turn would hire an administrator to oversee the fund and hire safety, claims and service companies to perform day to day services. An indemnity agreement is normally required to be signed by all participating members, unless the pool is of governmental entities. Each association member would become joint and severally liable for the payment of the workers' compensation benefits of all members. Several state statutes which have been reviewed contain specific enabling legislation authorizing group self-insurance pools. See, e.g., North Carolina Workers' Compensation Act, GS 97-93; Consolidated Laws, as amended, of the State of New York, Chapter 67, §50, subd. 3-A; Florida Workers' Compensation Law, *44.57.

Since it was first enacted in 1927, the Longshoremen's and Harbor Workers' Compensation Act, 33 U.S.C. § 901 et. seq., expressly contained a section permitting group self-insurance pools. 1/

1/ 33 U.S.C § 932(a)(1) reads:

Security for compensation. (a) Every employer shall secure the payment of compensation under this Act -

(1) By insuring and keeping insured the payment of such compensation with any stock company or mutual company or association, or with any other person or fund, while such person or fund is authorized (A) under the laws of the United States or of any State, to insure workmen's compensation, and (B) by the commission [Secretary of Labor], to insure payment of compensation under this Act; ...

State and federal statutes may be in pari materia, and if so, should be construed together, for it may be presumed that the legislature had in mind existing federal statutes relating to the same subject matter when enacting the statute being construed and that affected parties would have their understanding of the state act influenced by it since the people of the state are subject thereto. Volume 2A, Sands, Sutherland Statutory Construction, § 51.06.

Alaska Supreme Court opinions noting the similarity between portions of our Workers' Compensation Act and the federal act support the idea that the legislature had in mind the federal act at the time that our state law was enacted. The legislature apparently selectively chose portions of it for use in the Alaska statutes on workers' compensation. See Fishback and Moore of Alaska Inc. v. Lvnn, 430 P2d 909 (1967); Johns v. State Department of Highways, 431 P2d 148 (1967).

It can be inferred from the absence of any reference to group self-insurance pools, that the legislature intended at that time to not include that method by which workers' compensation coverage could be provided in the State of Alaska.

There is ample authority for the proposition that administrative agencies perform their duties pursuant to the statute that creates them; they may not enlarge that authority or exceed it. Fleming v. Pema County, 611 P2d 110 (Arizona 1980); Rogers v. Atensio, 608 P2d 813 (Colorado 1979); State ex rel State Tax Appeal Board v. Montana Board of Personnel Appeals, 593 P2d 747 (Montana 1979). The power and authority of an administrative agency is limited by the express or necessarily implied legislative grant. City of Yakima v. Yakima Police and Fire and Civil Service Commission, 631 P2d 400 (Washington 1981); Marley v. Canon, 618 P2d 401 (Oklahoma 1980).

At present, the law gives the Workers' Compensation Board no guidance on the regulation of the group self-insurance pool. The guidelines required to insure that the pool operates in a financially sound manner and in a manner that is otherwise consistent with the purposes of AS 23.30 are totally lacking and beyond the expertise and scope of authority of the board to promulgate.

In order for the Workers' Compensation Board to justify permitting group self-insurance pools, the meaning of the relevant statutes involved would necessarily be

distorted beyond the plain meaning contained therein, in violation of AS 01.10.040. In addition, to do so would be contrary to the rules of law governing the power and scope of authority of administrative agencies.

It is our opinion that the Workers' Compensation statutes (AS 23.30) do not authorize the Workers' Compensation Board to grant approval for group self-insurance pools.

You have also questioned whether the Alaska Municipal League may enter into a group self-insurance pool under the powers conferred on boroughs and cities in Article X, § 13 of the Constitution of the State of Alaska and Article 5 of AS 29.48.

Article X, § 13 of the Constitution of the State of Alaska states:

Agreements; transfer of powers. Agreements, including those for cooperative or joint administration for any functions or powers, may be made by any local government with any other local government, with the state, or with the United States, unless otherwise provided by law or charter. A city may transfer to the borough in which it is located any of its powers or functions unless prohibited by law or charter, and may in like manner revoke the transfer.

Article X, § 1 of the Constitution of the State of Alaska states:

Purpose and construction. The purpose of this article is to provide for maximum local self government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

AS 29.48.310 - 330 2/ and the case law interpreting them reaffirm the notion that municipal governments in the State of Alaska were given broad powers and that such powers should be construed liberally. See Liberati v. Bristol Bay Borough, 584 P2d 1115 (1978); Bookev v. Kenai Peninsula Borough, 618 P2d 567 (1980).

The broad grant of powers and the liberal construction given thereto indicate that municipal governments in the State of Alaska, through the Alaska Municipal League, can associate in order to provide workers' compensation coverage for their employees.

However, the Workers' Compensation Board is still without authority to grant approval for such a group self-insurance plan. The Workers' Compensation Board has no authority pursuant to statute to promulgate regulations in order to to administer such a concept and therefore has no guidelines by which to grant approval for such a program. Irrespective of whether municipal governments have the power under AS 29 and the Constitution of the State of Alaska to associate for the purpose of pooling workers' compensation coverage, the Workers' Compensation Board cannot grant the authority to do so.

GIA/bap

2/ AS 29.48.310 through AS 29.48.330 read as follows:

AS 29.38.310. General construction. A liberal construction shall be given to all powers and functions of boroughs and cities conferred in this title.

AS 29.48.320. Extent of powers. Unless otherwise limited by law, boroughs and cities have and may exercise all powers and functions necessarily or fairly implied in or incident to the object or purpose of all powers and functions conferred in this title.

AS 29.49.330. Enumeration of powers. Specific examples within an enumerated power or function conferred upon boroughs or cities in this title are illustrative of the object and not a limitation on or exclusion from the exercise of the power or function.

FORMAT OF
AML GROUP INSURANCE PROGRAM

I. SIR and Excess Limits

- A. Workers compensation
\$300,000 self-insured retention per occurrence.
This means: The first \$300,000 of any loss (occurrence) will be paid by the AML Loss Fund.
- B. General Liability/Auto Liability
\$100,000 self-insured retention, per occurrence.
This means: The first \$100,000 of any loss (occurrence) will be paid by the AML Loss Fund.
- C. Combined
\$300,000 combined retention per occurrence, both workers compensation and general/auto liability.
This means: The first \$300,000 of any loss (occurrence) involving WC/GL/Auto will be paid by the AML Loss Fund.
- D. Aggregate Stop Loss, 70% of contributed premium.
This means: When claims in any year reach 70% of premium, all claims thereafter in that year are paid by the excess insurance carrier.
- E. Excess Insurance Limit: \$10,000,000.
- F. Aggregate Limit: \$2,000,000.



Logger Letter

Vol. XX No. 3

March 1983



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Alaska Loggers Association members who participate in the Alaska Timber Insurance Exchange received a dividend from their insurance company totaling \$1,905,065. The checks were first made available to members who attended the 12th Annual ALA Forest Products Safety Conference in Ketchikan on March 4. Don Bell, President of the Timber Exchange Management Corporation, when announcing the dividend, stated this was money earned from investment income and from underwriting profit.

The Alaska Timber Insurance Exchange was formed in 1980 by the members of Alaska Loggers Association to provide workmen's comp insurance to its members domiciled in Alaska. Since inception, the Exchange has returned dividends to its members totaling \$2,800,835. At the same time, the monthly premium contribution rate for the logging classification has decreased from \$20.82 to \$18.10 per hundred dollars of payroll.

In the photo Don Bell presents Jerry Larrabee, President of Alaska Loggers Association, with the dividend check. Jerry is one of several ALA members in the \$100,000 dividend club.



Band Aid Bill

The Band Aid Bill performance was written, directed, and choreographed by the ALA bard John Schnabel with the able singing assistance of J. R. Gildersleeve and Wes Davidson (Wes not in photo). This saga, requiring audience participation, deals with Band Aid Bill, an unfortunate accident prone logger that failed to practice safety first.

Enjoying the trials and tribulations of this poor logger are Frank Burden, J. R. Gildersleeve Logging; Mike Valentine, R.H. Valentine Logging; Francis Dunn, Sealaska Timber Corporation; and Bill Slagle, Long Island Development Company.



Bloom receives special recognition

Keith Bloom, owner of Bloom Logging Company, a member of ALA since April 15, 1960, was presented the Clarence Kramer Logging Industry Safety Award at the recent conference. This award is primarily based on the safety improvement of a member.

Presentation of the award was made by Dick Mattei, President of Mattei & Webber one of the reinsurance carriers furnishing this trophy. Other sponsors of the award include: Webber, Doncanson & Holt, and Trenwick Reinsurance Company.

Last year the trophy was presented to Bill Slagle, owner of Gulf Timber Company.



Essay winners

The ALA Public Information Office announced sponsorship of an essay contest in the January issue. The essay topic was a typical day in the life of a logger in Southeast Alaska. Kirsten Held, Public Information Director, announced Joe Carl, a chokersetter at Island Logging, had won the contest. He has been advised of the \$100 gift certificate for his efforts.

New members

Ketchikan Marina & Supply, Inc., located in Ketchikan has joined ALA. This company is owned by Forrest MacKie. They sell and repair boats and motorcycles and supply items.

United Bank Alaska of Anchorage is the other new associate member. Stephen Kirschner is the Senior Vice President.

Welcome to ALA.

Market symposium

Jay Gruenfeld, Forest Resource and Management Consultant, has been invited by the University of Alaska to organize a Forest Products Marketing Symposium to be held at the Juneau campus on March 12-13. This conference will be designed especially for directors of native organizations, forest managers, bankers, buyers, and sellers of Alaska forest products.

Interesting statistics

Dick Mattei, President of one of the reinsurance companies who provides reinsurance for the Exchange and our underwriting advisor, provides some interesting statistics. He was one of the speakers at the recent safety conference and mentioned the \$2,800,835 dividend the Exchange has paid since inception. He also stated insurance companies did not usually return investment income and underwriting profit to its policy holders.



At the conference

Coyne VanderJack did an excellent job as Chairman and Emcee of the safety conference. It was handled in a professional manner. In the photo he was drawing for one of the many door prizes donated by: Walter Shuham, CPA; Bailey's, Inc.; Mine Safety Appliance; Safety & Supply Company; Tongass Timber Trust; and Alaska Timber Insurance Exchange



Mike Valentine, whose company earned a safety award for the second consecutive year, was a member of a panel who discussed some of the contributing factors to their winning the award. Mike stated a safety program must start with the owner and the whole crew must be aware of the possible hazards and have an ongoing safety training program.

Pulp to books

Les Hook, Industrial Relations Manager for LPK, announced his retirement from the Ketchikan mill early this month. Les first came to Ketchikan in 1954 as an Assistant Bleacherman for Ketchikan Pulp Company. He was employed in the bleach plant until 1965 when he was named Safety Supervisor and more recently promoted to the top job in this department.

In addition to his work at Ward Cove, Les has been active in the local sporting circles, little league baseball and basketball, Chamber of Commerce, logging shows, and other civic functions. Les has also been active in ALA programs. He has been involved in each of the twelve safety conferences and was chairman in 1947. He was one of the planners for ALA participation in the three Governor's Safety Conferences. He has been a member of the Scholarship Committee for twelve years. Les has been active as a leader of the advisory group for the public information program and has been helpful in planning of the annual ALA meetings.

Les will be entering a new field as a working partner with his wife Patricia in their newly acquired purchase of the Voyageur, Ketchikan's leading bookstore.

Retro return checks mailed

This is developing into "money from home month." Alaska Loggers Association has mailed a retro return check to members who were in the ALA workmen's comp program during the 1979-80 year. This check totaled \$245,619, and it was mailed to the 69 eligible members. The checks varied from a few dollars to \$20,319, depending on the premium paid during the period. This payment is the third of four retro adjustments. A previous distribution was made in September of 1982 when \$345,290 was mailed to eligible members. The final adjustment will be made later this year.



Putting it all together

If you ever have an opportunity to plan a trade mission anywhere, go hide some place. About the time you think you have one problem solved a couple more develop. Then there is the small problem of trying to keep everyone happy, Egad!

This is the group that has spent a great deal of time making travel arrangements, scheduling business meetings, planning social gatherings, arranging sightseeing trips, coordinating passports and visas, obtaining interpreters, etc. It is a real time consuming operation. Frank Roppel, Sealaska Timber Corporation; Judy Laurance, Alaska World Travel; Jim Rynearson, Alaska Lumber & Pulp; and Cliff Taro, Southeast Stevedoring Company have been working on the trade mission for the past three months.

Pension benefit change

Don Brown, Chairman of the Trustees of the ALA Retirement Plan, reports the Trustees met on August 3. In addition to receiving the annual actuarial report from Bob Richardson of William M. Mercer Company, the Trustees approved a benefit change. An employee who is still working at the age of 70 may receive his pension benefits and continue to work. However, his benefits will be frozen, and at that point his monthly contribution will cease.



Safety awards presented

James Robison, Commissioner of Labor, traveled to Ketchikan from Juneau to present 18 safety awards to ALA members as the closing ceremony of the 12th ALA Forest Products Safety Conference on March 4.

ALA members receiving the awards for the 1982 safety record were: Bloom Logging, Island Logging, Larrabee Logging, Northern Timber, Owens Dilling, Seward Brothers, The Mill, Inc., Kake Tribal Logging & Timber Corporation, and Louisiana Pacific Ketchikan Spruce Mill. Members who received the award for the second consecutive year are: Gellings & Lewis, Gulf Timber, Soderberg Logging & Construction, Tuxekan Logging, R.H. Valentine Logging, and Alaska Lumber & Pulp. The two members who received the award for the fourth consecutive year are Northland Wood Products of Fairbanks and South Central Timber of Anchorage.

In the photo Joe Herrera of The Mill, Inc. receives the award from Commissioner Robison.

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POUCH V STATE CAPITOL BLDG
JUNEAU AK 99811

Member
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Industrial Editors
Association
International Association of
Business Communications

Editor
DON BELL



PUBLISHED MONTHLY BY
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111 STEEDMAN STREET
KETCHIKAN, ALASKA 99901



Let the chips fall

Relations Manager at LPK. He replaces LES HOOK who has retired and will henceforth be named "Bookseller."---PALMER POTWIN, CIT CORPORATION, stopped in to see who was starting up.---PAT SODERBERG recently took a crash course on diamond ring appraisals. He will have a vocation should he retire.---GEORGE SULLIVAN of WESTERN AIRLINES advises they will start serving Ketchikan on May 1, 1983.---VERN and NANCY ELIASON recently returned from a trip to Texas. They visited with DOUG and MARGE THENO.---RON GELBRICH, JERRY LARRABEE, NORM AUBUCHON, and GEORGE ERICKSON are credited with saving the Narrows from a complete loss from fire by their fast and professional fire fighting procedures when the fire broke out on March 4.---SOUTHERN OREGON TIMBER INDUSTRIES ASSOCIATION

JOHN DALY is in the Austrian Alps cruising timber on skis.---CLYDE JOHNSON has been named Industrial

recently elected BARBARA JEDDELAH as President for 1982.---JOHN SIMONS, SAFCO CREDIT COMPANY, stopped to use the ALA radio system to reach some camps.---NANCY MURKOWSKI may be in trouble in China, she doesn't like Pepto Bismo.---TYONEK MILL near Anchorage may operate in April.---The ALP mill in Sitka has scheduled a three week shut down starting April 5.---It must be nearing spring as there is much talk about salmon derbies. J. R. Gildersleeve reports catching kings from his float.---BILL SLEEP of CAPE FOX CORPORATION was recently named Managing Forester in the lands and property division.---SOUTH COAST resumed construction on the BORAX road on March 7.---ALA still has a supply of color books and people maps. If you should want copies, let us know.---PRESIDENT JERRY LARRABEE appointed DICK BUHLER as Trustee of the Tongass Timber Trust. He replaces DON DESCHENES who left the state.

Date Received 1/24/83

Bill Number SB66 Title Municipal Self Insurance for Worker's Compensation
Fiscal Note - Date Requested on CSSB66 3/14 Don Koch Of Whom attached to bill
Position Paper - Date Requested on CSSB66 3/14 Don Koch Of Whom attached to bill

People Contacted
~~contact people~~

Dave Hutchens - AK Rural Electrification Coop Ass.
Ginny Chitwood - Municipal League
Joseph Mclean - 586-3210 - Insurance

People Who Expressed Interest

Doug Bechtel - 424-3131 (Condon)
Keep Walt Kubley informed CSSB66
FOLLOW-UP

People Contacted for Hearing - Feb 10 -

Wes Coyner - 6-1953 (2/2/83) CSSB/new
Dave Hutchen - ARECA - (2/2/83) CSSB/new
Ginny - Municipal League (2/2/83) CSSB/new
Ray Gillespie - Office of Governor (2/2/83) informed
Judy Knight - Labor - 2/2/83 informed 3/21 3/21
Joe Mclean - 6-3210 - 2/2/83 informed
Jackie McKlintock - Workers' Comp 2/3/83 (left message)
APUC - 276-6222
Kesa King - 2/7/83 CSSB/new informed 3/18

Steve Silver 277-6693 (new)
6-3340 (sent)
Mike Thomas CSSB
Dick Block - 248-2642
Steve Silver CSSB/new
Wayne Brown - 562-2266
Compton/Black/Dawson
CSSB/new

Position paper requested on "committee substitute - public utilities" - 1/31/83 - of Judy Knight - call 2/2 - stated position paper is drafted + will submit new fiscal note.

S

B

67

DRAFT

By SL & COMMERCIAL
CDM U.

For an Act entitled: "An Act relating to the relocation of utility facilities incident to the construction of highway projects by a municipality."

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

* Sec. 1. AS 19.25.020(a) is amended to read:

(a) If, incident to the construction of a highway project, the department or a municipality determines and orders that a utility facility located across, along, over, under, or within a [STATE] right-of-way under its jurisdiction must be changed, relocated or removed, the utility owning or maintaining the facility shall change, relocate or remove it in accordance with the order. The order shall provide a reasonable period of time for compliance.

* Sec. 2. AS 19.25.020(b) is amended to read:

(b) If the utility facility is not changed, relocated or removed in accordance with the order, the facility becomes an unauthorized encroachment and may be disposed of in accordance with AS 19.25.240-19.25.250. In addition, the owner of the facility shall indemnify the state or municipality for any amount for which the state or municipality may be liable to a contractor by reason of the encroachment.

* Sec. 3. AS 19.25.020(c) is amended to read:

(c) The cost of change, relocation or removal (defined by AS 19.45.001(4)) necessitated by highway construction is a cost of highway construction to be paid by the state or municipality [IN ACCORDANCE WITH AS 19.45.001(4)], notwithstanding the terms or provisions of any existing permit, agreement, regulation or statute to the contrary.

* Sec. 4. AS 19.25.020 is amended by adding a new subsection (e) to read:

(e) Municipalities shall not be obligated for utility facility relocation costs associated with those highway projects for which general obligation bonds have been approved or for which ^{state} general fund appropriations have been ^{received} ~~made~~ before July 1, 1983.

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: CSSB67 Date on Bill: 3/2/83
 Title: Relating to relocation of utilities incident to Construction of highways by a
 Sponsor: municipality. Labor & Commerce Committee
 Requestor: Labor & Commerce Committee

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

			FY 83	FY 84	FY 85	FY 86		
Capital								
Operating								
Total			-0-	-0-	-0-			

b. Revenues:

Revenue			-0-	-0-	-0-			
---------	--	--	-----	-----	-----	--	--	--

2. Source of funds to offset fiscal impact of bill:

N/A

3. Assumptions: The Department of Transportation and Public Facilities currently has the authority to relocate utilities that are located in highway rights-of way. Current State Statutes also requires the State to pay the cost of any change, relocation or removal of utilities necessitated by highway construction.

CSSB 67 would give the municipalities the same authority and responsibility for highways and streets under their jurisdiction.

CSSB 67 would have no effect on highways constructed by DOT/PF, however, if municipalities receive grants from the State for highway purposes, these grants would need to be adjusted to compensate for added costs of utility relocation.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Jonathan W. Scribner Phone: 465-3905
 Division: Design & Construction *OK/JS 3/3* Date: 3/3/83
 Approved by Commissioner: *J. S. [Signature]* Date: 3/3/83
 Department: DOT/PF

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 67 Date on Bill: 1/25/83
 Title: Relating to relocation of utilities incident to Construction of highways by a
 Sponsor: municipality. Labor & Commerce Committee
 Requestor: Labor & Commerce Committee

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating				
Total	-0-	-0-	-0-	

b. Revenues:

Revenue	-0-	-0-	-0-	
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2. Source of funds to offset fiscal impact of bill:

N/A

3. Assumptions: The Department of Transportation and Public Facilities currently has the authority to relocate utilities that are located in highway rights-of-way. Current State Statutes also requires the State to pay the cost of any change, relocation or removal of utilities necessitated by highway construction.

SB 67 would give the municipalities the same authority and responsibility for highways and streets under their jurisdiction.

SB 67 would have no effect on highways constructed by DOT/PF, however, if municipalities receive grants from the State for highway purposes, these grants would need to be adjusted to compensate for added costs of utility relocation.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Jonathan W. Scribner Phone: 465-3905
 Division: Design & Construction Date: 2/24/83
 Approved by Commissioner: *JWS* Date: 2/24/83
 Department: _____

5. Distribution:

Original to Legislative Finance
 Copy to OMB
 Copy to Sponsor
 Copy to Requestor

2/15/83

lations prescribed by the department and if authorized by a written permit issued by the department. (§ 8 art VII title II ch 152 SLA 1957; am § 3 ch 106 SLA 1977)

Effect of amendments. — The 1977 amendment rewrote this section. Collateral references. — 39 Am. Jur. 2d, Highways, Streets and Bridges, §§ 218-234. 40 C.J.S., Highways, §§ 232, 233.

Sec. 19.25.020. Relocation of utilities incident to highway projects. (a) If, incident to the construction of a highway project, the department determines and orders that a utility facility located across, along, over, under, or within a state right-of-way must be changed, relocated or removed, the utility owning or maintaining the facility shall change, relocate or remove it in accordance with the order. The order shall provide a reasonable time period for compliance.

(b) If the utility facility is not changed, relocated or removed in accordance with the order, the facility becomes an unauthorized encroachment and may be disposed of in accordance with AS 19.25.240 — 19.25.250. In addition, the owner of the facility shall indemnify the state for any amount for which the state may be liable to a contractor by reason of the encroachment.

(c) The cost of change, relocation, or removal necessitated by highway construction is a cost of highway construction to be paid by the state in accordance with AS 19.45.001(4), notwithstanding the terms or provisions of any existing permit, agreement, regulation or statute to the contrary.

(d) If requested by a municipality, the department shall implement this chapter by requiring to the maximum extent possible location underground of electric power transmission lines within the municipality. (§§ 2, 3 ch 57 SLA 1961; am § 4 ch 106 SLA 1977)

Revisor's notes. — A reference to AS 19.45.001(4) was substituted for a reference to AS 19.05.130(4) in subsection (c) to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031.

Effect of amendments. — The 1977 amendment rewrote this section.

Opinions of attorney general. — This section is constitutional. 1961 Op. Att'y Gen., No. 12.

Article 2. Damages and Obstructions.

Section

30. Damages to obstructions, signs, and construction

Sec. 19.25.030. Damages to obstructions, signs, and construction. The driver or owner, or both, of a vehicle, self-propelling or otherwise, which passes through, over or around an obstruction placed under authority of AS 19.10.100, or a person who opens, removes or defaces an obstruction or warning sign without written permission

from the highway, of the work under title II ch 1

Collateral 2d, Highwa §§ 604-610. 40 C.J.S., 60 C.J.S., Liability

Section

- 80. Purpose
90. Outdoor
100. [Repeal
105. Limita signs,
110. [Obsole
120. [Obsole
130. Penalt

Sec. 19 19.25.180

- (1) to p highways devices a
(2) to p cles; to p or otherw to promo protection serve and the high
(3) to areas ad ondry s the regu
(4) to which a a public
(5) to signs, di areas a declared ch 59 SL § 1 ch 1

Sec. 19.25.240. Summary removal. The department may at any time remove from a state highway or road an encroachment which obstructs or prevents the use of the highway or road by the public. (§ 2 ch 64 SLA 1971)

Sec. 19.25.250. Removal after noncompliance; removal expense. After a failure of the owner of an encroachment to comply with a notice or demand of the department under the provisions of AS 19.25.200, 19.25.210 and 19.25.230, the department may remove, or cause to be removed, the encroachment, and the owner of the encroachment shall pay to the department:

- (1) the expenses of the removal of the encroachment;
- (2) all costs and expenses paid by the state as a result of a claim or claims filed against the state by third parties for damages due to delays because the encroachment was not changed, removed, or relocated according to the order of the department; and
- (3) costs and expenses of suit. (§ 2 ch 64 SLA 1971)

Chapter 27. Junk Yards.

Section	Section
10. Purpose	70. [Repealed]
20. Limitations of junk yards	80. Injunction
30. Junk yard's lawfully in existence	90. Interpretation
35. Screening by department; lien	100. Agreements with the United States
40. Requirements as to screening	110. Definitions
50. Authority to acquire property interests for removal or screening of junk yards	120. Penalty for violation
60. Violating junk yard a nuisance	130. Additional requirements
	140. Short title

Sec. 19.27.010. Purpose. For the purpose of promoting the public safety, health, welfare, convenience and enjoyment of public travel, to protect the public investment in public highways and other roads maintained by the state, and to preserve and enhance the scenic beauty of lands bordering public highways and other roads maintained by the state, it is declared to be in the public interest to regulate and restrict junk yards in areas adjacent to the interstate, primary and secondary systems within this state and other roads maintained by the state. The legislature finds and declares that junk yards which do not conform to the requirements of this chapter are public nuisances. (§ 1 ch 233 SLA 1968; am § 7 ch 155 SLA 1970; am § 1 ch 179 SLA 1976)

Legislative history reports. — For report on ch. 233, SLA 1968 (HCSCSSB 144 am FCC), see 1968 House Journal, p. 815.

Collateral references. — 58 Am. Jur. 2d, Occupations, Trades and Professions, §§ 1, 4, 5, 15.

Sec. 19.27.020. Limitations of junk yards. No person may establish, operate, or maintain a junk yard, any portion of which is within

Chapter 45. Miscellaneous Provisions.

Section

01. Definitions

02. Penalties

15. Highway construction near airports

Sec. 19.45.001. Definitions. In AS 19.05 — 19.40

(1) "commissioner" means the commissioner of transportation and public facilities;

(2) "construction" or any derivation means construction, reconstruction, alteration, improvement or major repair;

(3) "controlled-access facility" means a highway especially designed for through traffic, and over, from, or to which owners or occupants of abutting land or other persons have either no right or easement or only a controlled right or easement of access, light, air, or view;

(4) "cost of change, relocation, or removal" means the entire cost incurred by the utility properly attributed to the change, relocation, or removal of a facility, less any costs for improvements or upgrading over and above the cost of a functionally equal facility; if a facility is to be relocated and replaced with new equipment, there shall also be subtracted from the entire cost any salvage value derived from the old facility;

(5) "department" means the Department of Transportation and Public Facilities;

(6) "excess lands" means land acquired by the state in excess of land required for a highway, when the remaining portion of a parcel of land so acquired is left in such shape or condition as to be of little or no value to its owner, or to give rise to claims or litigation concerning severance or other damage;

(7) "federal-aid primary, federal-aid secondary, and interstate system" include any highway which is a part of the federal-aid systems as provided in the Federal-Aid Highway Act of 1956, and any laws amending or supplementing it;

(8) "highway" includes a highway (whether included in primary or secondary systems), road, street, trail, walk, bridge, tunnel, drainage structure and other similar or related structure or facility, and right-of-way thereof, and further includes a ferry system, whether operated solely inside the state or to connect with a Canadian highway, and any such related facility;

(9) "maintenance" means the preservation of each type of highway, roadside structure and facility as nearly as possible in its original condition as constructed, or as subsequently improved, and the operation of highway facilities and services to provide satisfactory and safe highways;

(10) "municipality" means an incorporated city or political subdivision which has jurisdiction over highways in its incorporated area;

January 31, 1983

REPORT NO. 2INTRODUCTION OF BILLS (Senate)

Workers'
Compensation
(municipal
self
insurance)

SENATE BILL NO. 65, by the Rules Committee by request of the Governor. Would allow two or more municipalities to enter into an agreement to organize a self-insurance group in order to cover their liability for Workers' Compensation insurance under AS 23.30.

Sec. 1 amends AS 23.30.075, "Employer's liability to pay," by adding new (b) which authorizes municipalities to organize into self-insurance groups. Also amends confusing language in subsequent paragraph of 23.30.075 (see Governor's letter, below). Sec. 2 amends the definition of "self-insurer" contained in AS 23.30.265(19) to include members of municipal self-insurance groups.

Introduced January 24 and referred to Labor & Commerce and Finance.

In his message transmitting the bill to the Senate for consideration, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to workers' compensation. This bill authorizes municipalities to establish self-insurance groups, under Workers' Compensation Board regulations, in order to cover their liability for workers' compensation insurance under AS 23.30.

The essence of this bill is in the new AS 23.30.075(b) in sec. 1. It would give municipalities an alternative form of insuring their workers' compensation liabilities. Instead of purchasing insurance policies to cover their workers' compensation liabilities, two or more municipalities will be able to pool their resources and become self-insurers.

Other states which have enacted similar legislation have found that group self-insurance funds are able to provide at least equal benefits and service to its injured workers and usually more efficiently and at less cost to the employer.

The amendment to newly designated AS 23.30.075(c) is intended to clear up some awkward and confusing language. In doing so, one of the changes removes the reference to "the person actively in charge of the business of said corporation." If that person has authority to insure the corporation, he is already covered by the preceding clause of that sentence. If he does not, he should not be subjected to this kind of personal liability. Section 2's amendment of AS 23.30.265(19) merely recognizes the new AS 23.30.075(b).

Utility
Facilities
(relocation of
by munic.)

SENATE BILL NO. 67, by the Labor & Commerce Committee. Would grant municipalities the authority to order a utility to relocate its facility if necessary for construction of a highway project. Would allow a municipality to order reloca-

INTRODUCTION OF BILLS (Senate)(cont'd)

SB 67 (cont'd)

tion of utility facilities that are located "across, along, over, under, or within a right-of-way under its jurisdiction." The order must provide a reasonable time for compliance. Costs of relocation would be considered a cost of highway construction to be paid by the municipality.

The state is granted the power to relocate utility facilities under AS 19.25.020 (Relocation of utilities incident to highway projects). That section is amended by the bill to include municipalities.

Also amends AS 19.25.240 (Summary Removal) to allow municipalities to remove at any time from a highway or road under its jurisdiction an encroachment that obstructs or prevents the use of the highway or road by the public. Currently the section only grants that power to the state.

Sec. 5 of the bill states that a municipality is not obligated for utility facility relocation costs associated with a highway project for which general obligation bonds have been approved or for which state general fund appropriations have been received before the effective date of the bill.

Effective July 1, 1983.

Introduced January 25 and referred to Labor & Commerce and Community & Regional Affairs.

Susitna Hydro
(advisory vote
on financing)

SENATE BILL NO. 68, by Senator Kerttula. Would authorize an advisory vote on a method of financing the Susitna River Hydroelectric Project. The question, to be placed on the ballot for a special statewide election in October 1983, would be in substantially the following form: "Shall the Legislature . . . adopt a resolution placing an amendment to the constitution of the state before the qualified voters of the state providing for annual dedications of state revenue for 10 years beginning in the state fiscal year that commences on July 1, 1984, in an amount that totals \$2,300,000,000 to a fund established for the construction of the Susitna River Hydroelectric Project and providing for increases in the total amount for inflation and providing for interim investment of the dedicated amounts?" Provides for an immediate effective date. Identical to HB 121.

Introduced January 25 and referred to State Affairs, Resources and Finance.

Susitna Hydro
(authorizing &
approving)

SENATE BILL NO. 69, by Senator Kerttula. Would approve and authorize construction of the Susitna River Hydroelectric Project. Approves the feasibility study and finance plan submitted by law, and approves construction costs of \$5.4 billion, adjusted for inflation from January, 1983. Also approves, for the purposes of AS 44.83.325, the preliminary report for the project that was required to be prepared and submitted under AS 44.83.320(b).

SENATE LABOR AND COMMERCE
STANDING COMMITTEE
February 8, 1983

Members Present: Senator Dick Eliason, Chair
Senator Bob Mulcahy
Senator Pat Rodey

Members Absent: Senator Don Bennett
Senator John Sackett

COMMITTEE CALENDAR

Senate Bill 67 - "An Act relating to the relocation of utility facilities incident to the construction of highway projects by a municipality; and providing for an effective date."

WITNESS REGISTER

Dave Hutchens, Executive Director
Alaska Rural Electric Cooperative Association, Inc.
237 East Fireweed Lane
Anchorage, Alaska 99503
586-2660
Position Statement: Supports SB 67, proposed amendment.

Ginny Chitwood, Executive Director
Alaska Municipal League
204 North Franklin St.
Juneau, Alaska 99801
586-1325
Position Statement: Opposes SB 67, issue should be determined on local level, placement should be in Title 29.

Patrick Anderson
Municipality of Anchorage
Pouch 6-650
Anchorage, Alaska 99502
264-4431
Position Statement: Voiced objection to specific portions of bill, and will provide specific recommendations by Friday.

Gordon Parker
Alaska Telephone Association
3201 C Street, Suite 601
Anchorage, Alaska 99501
276-3293
Position Statement: Supports measure.

PREVIOUS ACTION

No previous action to record.

ACTION NARRATIVE

TAPE #3
Recording
Number 004

Senator Eliason, Chair, called the meeting of the Labor and Commerce Committee to order at 1:35 pm with members Senator Mulcahy and Senator Rodey in attendance.

Number 020

Dave Hutchens, Executive Director of Alaska Rural Electric Cooperative Association, Inc., provided the first testimony on SB 67. He expressed support for the measure and offered an amendment to the bill. Several years ago, he stated, the legislature made a policy; whenever a state highway was being constructed utility relocation would be part of the construction cost. Presently the utility bears the cost when municipal road projects are in construction and a utility facility needs to be relocated. SB 67 will make the cost of the project include utility relocation. Last year the same measure passed the Senate late, and did not get through the House. The objections voiced last year included one concern with language (line 15, "under its jurisdiction" rather than "within its jurisdiction") and one concern dealt with by SB 67: for projects for which funding is in place (such as projects financed by bonding) and for which a municipality would not have adequate funds to cover utility relocation costs, an exemption is made. One of the major points stressed by Mr. Hutchens was that the utility does not cause the cost, but still pays. Dave Hutchens proposed an amendment prepared by Gary Thurlow of the Mat-Su Borough (Matanuska-Sustina); it amends Section 5 to read that "a municipality is not obligated for costs for relocating utility facilities which are not located in a municipal right of way pursuant to a valid easement or permit nor for costs for relocating utility facilities associated with a highway project for which general obligation bonds have been approved or for which state or federal grants have been received before the effective date of this act."

Number 300

Ginny Chitwood, Executive Director of the

Alaska Municipal League, provided testimony in opposition to SB 67. She stated that the measure did not belong in Title 19, Chapter 25, a section of the statutes concerned with state highways and roads. She further stated that the issue is a municipal one, and should be locally determined. In Anchorage a city ordinance is about to be adopted addressing the subject. Local determination more readily permits case by case determination. Ms. Chitwood stated that in the case of state grants going to a municipality for road construction it would be appropriate for the legislature to impose conditions. In the case of roads funded with federal dollars (state/federal) the cost is passed on to the feds.

Senator Rodey commented that the question is one of fairness. (Taxpayers end up paying...)

Number 380

Ms. Chitwood noted that most municipal officials are chiefly concerned about the proper placement of utilities.

Sen. Mulcahy commented that he didn't know why the measure wasn't placed in Title 29-- that it seemed to be "sneaking in the back door".

Sen. Eliason commented that the measure seems to spread the cost, assigning some of it to the municipality rather than concentrating the burden on the users (utility users).

Number 428

Pat Anderson, representing the Municipality of Anchorage, stated that the cost to the Municipality (of paying for utility facility relocation) would be \$1-2 million for what is on the street today. One objection of the Municipality not handled by Dave Hutchens' proposed amendment concerns the upgrading of utilities, and another concerns the question of general depreciation and whether the municipality bears the cost of replacement, thereby subsidizing the consumer. On a philosophical note, the Municipality of Anchorage maintains that the decision is best made at a local level. Mr. Anderson stated that he would submit the figures the committee had requested and would submit specific recommendations by Friday.

Number 505

Gordon Parker, representing the Alaska Tele-

phone Association (20 telephone companies) testified in support of the bill. He pointed out that although it is true that some communities do negotiate with the utility, but they are not compelled to do so under current law. He also clarified that there is not an intent to have municipalities fund expansion.

Number 538

There being no further testimony or questions, Sen. Eliason adjourned the meeting.

SENATE LABOR AND COMMERCE
STANDING COMMITTEE
March 3, 1983
1:35 p.m.

Members Present: Sen. Dick Eliason, Chair
Sen. Bob Mulcahy
Sen. Pat Rodey

Members Absent: Sen. Don Bennett
* Sen. John Sackett

*Sen. Sackett arrived later in the meeting; see below.

COMMITTEE CALENDAR

SB 67 "An Act relating to the relocation of utility facilities incident to the construction of highway projects by a municipality; and providing for an effective date."

WITNESS REGISTER

Marilyn Dimmick, Kenai Peninsula Borough
Box 850
Soldotna, Alaska 99669
262-4441, ext. 221
Position statement: Unalterably opposed to SB 67.

Dave Hutchens, Alaska Rural Electrification Cooperative Association
237 Fireweed, #301
Anchorage, Alaska 99503
276-3235
Position statement: Proposed committee substitute for SB 67 is a reasonable approach.

PREVIOUS ACTION

Please refer to Senate Labor and Commerce Committee minutes dated 2/8/83.

ACTION NARRATIVE

Tape #8
Number 004

Senator Eliason, Chair, called the meeting to order and brought a proposed Committee Substitute for SB 67 before the committee for consideration. The proposed CS has additional language in Section 3 provides that a municipality is not obligated to pay the cost of relocation of utility facilities that are not located in a municipal right-of-way under the conditions of a valid easement or permit.

Number 010

Marilyn Dimmick, representing the Kenai Peninsula City and Borough, and the City of Kenai, testified against SB 67. She stated that the Borough feels that all portions of the bill relating to a municipality are unnecessary, and would force a city to pay costs unjustifiably. She further stated that Kenai's utilities "are not performing well" and that Kenai would prefer to make determinations on a case-by-case basis. She is opposed to taking away local control. Case law, she said, has, for the most part, placed the financial burden on the utilities.

Number 096

Sen. Eliason drew Marilyn Dimmick's attention to the added language in the proposed CS, on page 2, line 3, Section 3, and asked her to restate her remarks relative to the change.

Marilyn Dimmick asserted that "this would work against us more than for us". If the state provides funds for roads, she assumes the state has the responsibility (for utility relocation costs). Sen. Eliason stated that such is not necessarily the case, that there is state funding through grants to municipalities, and asked if Marilyn Dimmick would prefer no state intrusion at all.

Ms. Dimmick stated that so far, the matter has not been a serious problem---when they should pay, they pay, when they shouldn't, they don't. Senator Mulcahy asked under what circumstances the municipality "shouldn't" pay, to which she responded that when utilities are incorrectly placed "or do something they shouldn't". Sen. Mulcahy asked if that were not what the amendment (CS) addresses, and Sen. Eliason confirmed that the amendment addresses that specific problem. Marilyn Dimmick stated that Kenai understands that, that they would follow such a guideline anyway and don't feel that they need a state statute, as they could adopt the measure by ordinance if they wished.

Sen. Sackett arrived, and his presence was noted for the record.

Number 190

Dave Hutchens, representing ARECA, testified briefly on the measure. ARECA, which serves also the Homer cooperative providing service to the Kenai Peninsula Borough, stated that the utilities do feel that there are problems. The cost causer should be the cost payer, Dave Hutchens contended, stating that is is a matter of principle. For example, if the municipality is widening the road, the cost of utility relocation should be borne by the municipality, rather than the utility. He stated that the proposed Committee Substitute is a "reasonable approach" which addresses a legitimate concern. The CS handles the concern expressed by municipalities in reference to the original bill by providing that the municipality need not pay for a utility not located according to an easement or permit.

Number 244

Sen. Sackett asked if the fiscal note would be changed if the CS were adopted, to which the Chair responded that he did not think so.

Senator Rodey moved that the Committee Substitute for SB 67 be adopted and moved from committee. He recommends "do pass".

Number 260

Meeting adjourned.