

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988

8672

5385 SLAB SB 322 (file 9) - (file 10)

857

 *
 * DELIVER TO: LIOC SHN *
 * *
 * *
 * ORIGINAL *
 * SENT: 02/15/88 TIME: 10:05 *
 * FROM: LIOCMAT *
 * SUBJECT: FS 2-12-88 WORKERS COMP H&S L& *
 * PRINT DATE: 02/15/88 TIME: 10:05 *
 * *

DATE: 2/12/88
 SITE: MAT-SU *WASILLA*
 SPONSOR: JT H S L C
 SUBJECT: WORKERS COMP
 MODERATOR: MARY

FINAL STATS

TESTIFIED	NAME/REPRESENTING	ADDRESS	PHONE#
1.	REP CURT MENARD	BOX V JUNEAU	99811 465-2679

OBSERVED	NAME/REPRESENTING	ADDRESS	PHONE #
1.	ROBERT SHOEMAKER	SRA BOX 6720 PALMER	99645 745-6521
2.	PEGGY SHOEMAKER	SRA BOX 6720 PALMER	99645 745-6521

TESTIFIED: 1
 UNABLE: 0
 OBSERVED: 2
 TOTAL: 3

START/9 PM/ END

*
* DELIVER TO: LIOC SHN *
* *
* ORIGINAL *
* SENT: 02/15/88 TIME: 09:52 *
* FROM: LIOCVAL *
* SUBJECT: JTH&SL&C;FS;WORKERS COMP;2-12 *
* PRINT DATE: 02/15/88 TIME: 09:52 *
* *

DATE: FEBRUARY 12, 1988
SITE: VALDEZ
SPONSOR: JT HSE & SEN LABOR & COMMERCE CMTEs
SUBJECT: WORKERS' COMPENSATION
MODERATOR: PAT VON BARGEN

FINAL STATS

VALDEZ DID NOT DIAL IN TODAY'S MORNING OR AFTERNOON
TELECONFERENCES. WE HAD NO PARTICIPANTS.

EQM

```

*****
*
* DELIVER TO: LIOC SHN
*
* ORIGINAL
* SENT: 02/12/88 TIME: 17:16
* FROM: LIOCBAR
* SUBJECT: J.L&C;FS;W.COMP.;2-12-88
* PRINT DATE: 02/12/88 TIME: 17:16
*
*****

```

2/12/88
 BARROW
 JOINT LABOR AND COMMERCE
 WORKER'S COMPENSATION
 LACEN

FINAL STATS

TESTIFY:		
NAME/REPRESENTING	ADDRESS	PHONE #
1.NO ONE		

OBSERVE:		
NAME/REPRESENTING	ADDRESS	PHONE #
1.NO ONE		

- 0 - TESTIFIED
- 0 - UNABLE TO TESTIFY
- 0 - OBSERVED
- 0 - TOTAL

START/END TIMES:

```

*****
*
* DELIVER TO: LIOC SHN
*
* ORIGINAL
* SENT: 02/12/88 TIME: 18:10
* FROM: LTCCFBX
* SUBJECT: JT. L&C;FS;WK COMP;2-12-88
* PRINT DATE: 02/12/88 TIME: 18:10
*
*****

```

*****FINAL STATS*****

```

DATE: FEBRUARY 12, 1988
SITE: FAIRBANKS
SPONSOR: JOINT HOUSE & SENATE LABOR & COMMERCE COMMITTEE
SUBJECT: WORKERS' COMPENSATION
MODERATOR: FRAN

```

TESTIFY:

NAME\REPRESENTING	ADDRESS	PHONE #
1.) ART ROBSON	600 UNIVERSITY AVE., FBKS, 99709	479-6281
2.) REP. DAVIS		
3.) REP. KOPONEN		
4.)		
5.)		
6.)		

OBSERVE:

NAME\REPRESENTING	ADDRESS	PHONE #
1.) ED FLANAGAN - AIDE TO REP. DAVIS		
2.) ROMAR SWARNER	315 BARNETTE, FBKS, 99701	452-5306

TESTIFIED	3	TIME START	9:00 A.M. - 2:00 P.M.
OBSERVED	2	TIME END	12:00 P.M. - 5:30 P.M.
TOTAL	5		

```

*****
*
* DELIVER TO: LIOCJNU
*
* ORIGINAL
* SENT: 02/12/88 TIME: 09:08
* FROM: LIOC SHN
* SUBJECT: JT L + C;WK COMP;2-12-88
* PRINT DATE: 02/12/88 TIME: 09:08
*
*****

```

DATE: 2-12-88
SITE: JUNEAU
SPONSOR: JT H+S LABOR AND COMMERCE

SUBJECT: WORKERS COMP

MODERATOR: SHANA

----- PARTICIPANT LIST

TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE #
1.		

OBSERVED

NAME/REPRESENTING	ADDRESS	PHONE #
1. MARY LOU COOPER		
2. JUDY EK HOLM		
3. GINGER BAIM	W/ H LABOR + COMMERCE	
4. JOHN RINGSTAD	W/ S LABOR + COMMERCE	
5. DON KOCH	DIV OF INSURANCE, HERE TO ANSWER	
6.		

QUESTIONS

TESTIFIED:
OBSERVED:
TOTAL:

START/END TIME

2525 BLUEBERRY ROAD, SUITE 102
ANCHORAGE, ALASKA 99503

Date: February 3, 1988

To: Honorable Tim Kelly and Honorable Dave Donley

From: Shelby L. Nuenke-Davison
Attorney at Law
2525 Blueberry Road, Suite 102
Anchorage, AK 99503
(907) 276-6555

Re: Labor Management Task Force Bill

WRITTEN TESTIMONY

I have been practicing workers' compensation defense almost exclusively in the State of Alaska for the last six years. I testified just briefly at the hearings held in Anchorage, on January 29, 1988 and was the last witness. Since a lot of committee members were unavailable, I have decided to take the time to do some written testimony because I think this bill is crucial.

I am of the opinion that the Labor Management Task Force Bill should be passed with no amendments made to the bill that do not go through the Labor Management Task Force. The reason for this is because, though I can see legally where some language changes need to be made, I know from working in the Alaska workers' compensation arena that all the statutes are directly related to each other and are intimately intertwined.

I would like to briefly comment on why some of the proposed changes are of the utmost importance. Failure of me to address any particular portion of the bill does not mean that I am not in support of those aspects of the bill.

1. Page 1, Section 1, lines 14 & 15 state, "The legislature declares that the workers' compensation laws must not be construed by the courts in favor of any party." This language is crucial to get passed and quite frankly I think it should be a lot stronger in that no matter what workers' compensation reform is done by the legislature, unless there is a message given to the Alaska Supreme Court that when there is any ambiguity in the workers'

compensation statute it should not go in favor of any party, then the Alaska Supreme Court through case law will nullify a lot of your work. Both the employer and employee give up significant rights in the workers' compensation arena. It is important that everybody understands this because much of the testimony has been surrounding the employee's rights. Employers give up the right to have the employee prove by a preponderance of evidence that he was injured, that the defendants are liable, and his damages. The employer also gives up his common law defenses to comparative negligence and assumption of risk. These are significant rights to give up and, as such, the law should not be construed just in favor of the employee. I understand that the employee also gives up his common law damages in exchange for the workers' compensation remedies. Because both parties give up significant rights, neither party should be favored in the law.

As the law presently stands, the Workers' Compensation Act does not state this. As such, the Alaska Supreme Court always construes the law in favor of the employee if there is any ambiguity in the statute. This is based upon a common law rule that the humanitarian purpose of the law is to favor claimants. To give you an example of how bad the Supreme Court is against employers, there is a common joke which goes around the workers' compensation arena, which is that if a claimant loses at the Board level, the claimant's attorney is malpractice not to appeal. That is somewhat of a significant statement and gives you an idea of how crucial this intent language is.

However, under this section, line 20, we should omit the word "any" evidence and substitute "substantial" evidence because that is the appropriate standard of review for appeals on issues of fact. Keep in mind, substantial evidence is easily found on appeal because it has been defined that any evidence is "substantial enough if it supports the conclusion in the contemplation of a reasonable mind."

2. I would now like to comment on page 2 of the bill Section 4, lines 24 through 29 and over to page 3, line 1. This proposed amendment is important to protect employers from being liable on a claim where an employee knowingly makes a false statement as to his physical condition and then allegedly has an aggravation to that condition. Because of the three-pronged test outlined in the proposed bill, this statute will be hard to prove and will not be easy to abuse against the claimant by the employer. This section however, needs to be supported by the new language in AS 23.30.055 which is on page 11, lines 9-10 & 11 of the

bill. Which states that, "the liability of the employer is exclusive even if the employee's claim is barred under AS 23.30.020 (b)."

3. AS 23.30.095, Section A which is found on page 12, lines 7 & 11, is an important amendment so as to avoid doctor shopping. Doctor shopping prolongs a claim unfairly to the employer. Doctor shopping can presently occur if a claimant goes to a doctor who does not support his position and wants to prolong the claim. Presently, there is nothing in the law stopping this and, therefore, claims go on indefinitely. This statute, however, appropriately protects a claimant if his treating physician refers him to a specialist in an area so as not to have the specialist be constituted a treating physician. At the hearing there was some testimony regarding the right of the employer to have IME's every 30 days and the fear that the claimant would be subjected to numerous "invasive diagnostic tests." As such, I recommend inserting on page 13, line 24 the following: "When possible, the IME physicians should use already existing diagnostic data to make his determination."

4. I would like to discuss briefly on two intertwined statutes which I think are very important to be passed untouched. There is nothing legally wrong with either of these paragraphs. One is Section 15 of AS 23.31.120 (c) which is found on page 16 of the bill, lines 4 through 7, and the other is Section 32, which is AS 23.30.265 (17) which is found on page 25 & 26, specifically on page 26, lines 4 through 14. Both of these amendments are absolutely crucial to be adopted without any changes because stress claims are as a general rule hard to objectify and are the up and coming big exposure for employers. Because there was no legislation on the books, the Alaska Supreme Court have made two devastating rulings on stress that make these claims almost undefensible. Since there are so many stressors in ones life and since a stress claim is subjective in nature, I urge you to enact both amendments untouched. These statutes still affords a party to file a stress claim.

5. Finally, the last areas I would like to address are Section 6, Voluntary Vocational Rehabilitation, section 24, Temporary Total Disability, and Section 25, The Scheduling of All PPD Benefits and why these sections are important to pass without any significant amendments being made unless they go through the task force.

The present vocational rehabilitation statute in Alaska has already been labeled a failure by many claimants, employers, workers' compensation board members, and

February 3, 1988

Page 4

vocational rehabilitation counselors alike. The Alaska vocational rehabilitation system is not fair because it is too intimately connected to the types, amount, and period of time benefits that will be received by the claimant and has resulted in increased litigation to the detriment of the employee. Because of its close connection to the types, amount, and period of time benefits that are received, vocational rehabilitation in Alaska is nothing more than a litigation tool, and as such, is usually computed to dollars and settled out in a settlement. After the settlement, the claimant is no longer entitled to vocational rehabilitation and will more than likely have to return to his work at the time of injury, even if he really should not.

To understand the failure of the present vocational rehabilitation statutes, one must understand the interplay between Temporary Total Disability benefits, Permanent Partial Disability and Vocational Rehabilitation under the present law. Under the present law, it is important for you to understand because there is no cap on the amount or period of time a person can collect Temporary Total Disability benefits and there is a cap on Permanent Partial Disability benefits and because the Alaska Supreme Court in a case called Bignell v. Wise, determined that until a person is both "medically and vocationally stationary" he is entitled to get Temporary Total Disability benefits, the claimant has no interest in getting off Temporary Total Disability and on to Permanent Partial Disability benefits. Therefore, because vocational rehabilitation is so closely tied to how much a person gets and for how long it results in a lot of litigation. This is why vocational rehabilitation does not work in the present system because all it is really used for is a tool to facilitate larger claims and/or to prolong the claim. This is where we lawyers do a lot of our work. As such, the Joint Labor Management Task Force Bill should be passed because it removes vocational rehabilitation from the litigation process and puts a cap on Temporary Total Disability benefits of two years and does not make Temporary Total Disability benefits or Permanent Partial Disability benefits tied to whether or not the patient is vocationally stable. However, in the bill pending vocational rehabilitation is still afforded to claimants who need the services. Only those claimants who truly want these services will use them if they are not tied so intimately to the claim. Even though no one can give hard dollars in terms of savings, I cannot see how this concept would not save a lot of costs in the workers' compensation system.

If any of you have any questions in regard to this bill or any legal questions on this matter, please feel free to

February 3, 1988
Page 5

connect me. Thank you for taking the time to read this
written testimony.

Sincerely,

Shelby L. Nuenke-Davison
Shelby L. Nuenke-Davison

SND/kac

LAW OFFICES
FINDLEY & PALLEMBERG
THE VALENTINE BUILDING
119 SEWARD STREET, SUITE 1
JUNEAU, ALASKA 99801

THOMAS W. FINDLEY
PHILIP M. PALLEMBERG

January 11, 1988

TELEPHONE 586-3811
AREA CODE 907

The Honorable Tim Kelly
Chairman,
Senate Labor and Commerce Committee
P.O. Box V
Juneau, Alaska 99811

SUBJECT: S.B. 322/H.B. 352--Proposed amendments to Alaska Workers' Compensation Act

Dear Senator Kelly:

As an attorney representing injured workers in workers' compensation cases, I have viewed with interest the recent efforts to reform the Alaska workers' compensation laws. It has long been clear to everyone involved in the system that changes are necessary. Costs are out of control, numerous abuses are occurring on both sides of the system, and too much money is going to individuals other than the most deserving injured workers. It is even more important, however, that the rush to make those changes does not result in a bill that deprives injured workers of basic fairness, and does not achieve the needed savings. I have reviewed the amendments contained in S.B. 322 and H.B. 352, and I am appalled at some of the proposed changes. Cost savings should not be achieved at the expense of fundamental fairness.

It must be remembered that workers' compensation benefits are not handouts. Workers' compensation was devised as a trade-off--workers were allowed benefits, without regard to fault, to compensate them in part for their losses resulting from on-the-job injuries, in exchange for losing their right to sue their employers for negligence. If employers are to continue to be immune from suit, their employees have a right to receive fair and adequate benefits in return.

Clearly, the bill represents a great deal of effort by a large number of people. While much of the proposal is a constructive approach to the problem, I feel that many of the proposed amendments are discriminatory, unfair, or simply unworkable.

OK The bill's tone is set by its first section, which states that its intent is to assure the "quick, efficient, and predictable" delivery of benefits. While these are worthwhile goals, ~~there is no mention of fairness--not only to the injured worker, but also fairness to the employer.~~

The major structural changes in the statute are in the areas of rehabilitation and computation of permanent partial disability benefits. I will first discuss my concerns about the rehabilitation provisions.

Although I have other concerns about the rehabilitation section of the bill, I am most concerned about a few items. First, under new section 041(j)(2), the injured worker is ineligible for vocational rehabilitation unless he or she requests a rehabilitation eligibility determination within 60 days after the injury. This will automatically deprive many needy workers of rehabilitation, since 60 days after their injury most employees don't know whether they will be able to return to their old jobs. Most workers that I speak to are almost totally unaware of their right to rehabilitation benefits. The average injured worker does not want rehabilitation after 60 days, since he expects to return to his previous job. It is only after the worker discovers that he will not recover fully that rehabilitation becomes necessary. The 60 day requirement of new section 041(j)(2) sets a trap for the unwary injured worker.

OK
New section 041(i) defines "noncooperation" with rehabilitation, which disqualifies the worker from further rehabilitation benefits. The proposal needs to define noncooperation more carefully. This section could be interpreted to provide that an injured worker forfeits his or her reemployment benefits if he or she misses one meeting with the rehabilitation specialist. The statute should contain the requirement that the noncooperation be unreasonable. It is also not fair to deprive a worker of his or her benefits for failure to maintain average grades. By definition, half of all students are above average, and half are below average. It seems somewhat elitist to suppose that any student who does not maintain average grades is not cooperating.

2
The rehabilitation section eliminates the provision in present law that an employee's ability to return to work be judged by the availability of work in his or community, or the place of work at the time of injury. Instead, it is judged by the existence, not availability, of work anywhere in the state. Under this rule, a Petersburg resident who is injured would not be eligible for rehabilitation if a job exists anywhere in the state, whether in Petersburg, Anchorage, or Nome, which he is capable of performing--regardless of whether the job is available to him.

The new statute also eliminates any payment of temporary compensation as maintenance during rehabilitation. Employees instead are expected to live on their permanent partial disability award during rehabilitation. Maintenance would be awarded only after the worker has exhausted his or her PPD award. I find it unfair to require an employee to live off his or her permanent partial disability settlement during the period of rehabilitation. Coupled with the changes in permanent partial disability awards, this will leave many workers with no money after they complete their rehabilitation programs. This is inconsistent

with the purpose of permanent partial disability, which is to partially compensate injured workers for their permanent loss of earning capacity.

I am very concerned about the changes in permanent partial disability (PPD) awards. PPD is intended to be compensation for an employee's permanent loss of earning capacity. For the typical worker with a back injury (or any "unscheduled" injury), the existing system attempts to base compensation on actual loss of earnings. The new statute eliminates any attempt to calculate actual loss of earnings. Instead, the award is based on the arbitrary disability ratings established in the AMA Guides to the Evaluation of Permanent Impairment. Most physicians will agree that the AMA Guides are a poor way of evaluating many injuries. They are particularly arbitrary when it comes to evaluating back injuries. The gross unfairness with this system is that the arbitrary award is paid whether or not the injury affects the employee's ability to work. A longshoreman with a 5% impairment of his back may be unable to do his job, but he would receive an award of \$250. An attorney with a 40% disability may be fully able to work, but he or she would receive \$96,000. While this may meet the stated intent of "quick, efficient and predictable" delivery of benefits, it is far from fair--to either side.

Section 190 contains another curious provision. After the injured worker's impairment is rated, the rating is "adjusted" by multiplying it by an "Adjustment Factor", ranging from zero for impairments of 5% or less, to one for impairments of 31% or greater. This will result in the following payments for permanent disabilities:

Impairment	Payment
5%	\$250
10%	\$4,800
15%	\$14,400
20%	\$28,800
25%	\$42,000
30%	\$57,600
50%	\$120,000

While workers with large impairment ratings will receive large sums of money, the new schedule, for some reason, sharply discounts the awards to workers with small disabilities. If a worker with a 5% impairment is onetenth as impaired as one with a 50% impairment, it is not clear why the second worker should receive an award four hundred and eighty times as large. The use of the "Adjustment Factors" to discount small awards is discriminatory.

It is interesting to note that, at the same time that Alaska seems to be moving toward a purely scheduled system, the general trend nationwide is away from such systems. This state would do well to heed the example of other states such as Florida, which abandoned a scheduled disability scheme when it found, according to Professor Arthur Larson, the national authority on workers' compensation, that 79 percent of administrative and legal time

was consumed arguing about disability ratings. I predict that, if this section is adopted, there will be just as many disputes about disability ratings as there are now about earning capacity.

Another provision of the bill which I find unduly harsh is the two year limit on temporary total benefits contained in new section 185. While benefits generally are not paid for more than two years, there are instances in which an injured worker has not fully recovered in two years. Occasionally, an employee's condition is not properly diagnosed right away. If an employee needs major surgery, or complications develop, he or she may well be left destitute, while still under medical treatment.

Under new section 095(k), medical disputes are to be submitted to a physician selected from a list kept by the Board. The determination of this physician is presumed to be correct, in the absence of clear and convincing evidence to the contrary. In many cases, all three doctors may be on the Board's list. There is simply no reason to decide a case solely on the basis of the opinion of one doctor who has seen the worker just once. This is just another way of making the process more arbitrary, and less fair.

Under new section 020, a worker is totally ineligible for benefits if he or she misrepresented the worker's physical condition at the time of hire, and the employer relied thereon. It would appear that, under this section, a worker who denied a previous back injury would go uncompensated if he or she aggravated the previous injury on the new job. The consequences of this section for many workers will be disastrous.

In many industries, such as the logging industry, it is very difficult, if not impossible, for a worker with even a minor back injury to return to work. No logging company, if given a choice, will hire a worker with a back problem. Under this section, a logger with a prior back injury will have to make a choice between mentioning his injury, and probably not getting a job, and not mentioning it, and forfeiting his workers' compensation benefits if he is reinjured. While the new statute does contain a toughened anti-discrimination section, such provisions are very difficult to enforce. It is usually impossible to prove discriminatory intent.

This section illustrates the peril of assuming that labor interests can speak for injured workers. A union worker, dispatched through a hiring hall, would not be harmed by this section. The employer could not discharge the worker if his preemployment health questionnaire reflects an injury. A nonunion worker, such as a logger, does not have this protection.

New section 220 revises the procedure for calculation of compensation rates. Under section 220(1), which is unchanged from existing law, rates are based on wages during the two years preceding the injury. Under existing law, if those wages do not

fairly represent the employee's wages at the time of the injury, the Board may adjust the wages by considering the employee's work and work history. This "escape hatch" has been substantially enlarged in recent years by the Supreme Court. The new section would limit this "escape hatch." The rate could only be adjusted if the employee had no earnings, or was "voluntarily" absent from the labor market for 18 months or more during the two years. I can see no justification for limiting this section to voluntary absences. The main justification for the "escape hatch" of section 220(2) has always been to allow the Board to adjust the compensation rate when the employee was absent from the labor market for a portion of the previous two years due to previous illness, disability, or other circumstances beyond the employee's control. Under the new language, such involuntary absences from the labor market would not qualify an employee for an adjustment. This cannot be justified.

Under new section 265, an employee is presumed to have reached medical stability if he or she goes 45 days without objective medical improvement. Medical stability becomes all the more important under the new rehabilitation provisions, since it marks the point at which an employee's temporary benefits end. While the standard of objective medical improvement has some merit, 45 days is much too short a time to judge stability. Many workers go more than 45 days between follow up visits after major surgery. It is not fair to throw an injured worker back in the labor market simply because his injury is slow to recover.

I would suggest four basic reforms which would substantially cut the costs of the system. First, lower the maximum benefit, as S.B. 322 and H.B. 352 do. Second, restore the adjustment of benefits for out of state claimants, as S.B. 322 and H.B. 352 do. Third, return the calculation of compensation rates in section 220 to what the Legislature originally intended, which is that the rate be based on the employee's historical wages. Finally, and most importantly, rewrite the vocational rehabilitation provisions to require a quick, fair determination of an injured worker's entitlement to rehabilitation. Too many workers draw temporary benefits for many months or even years while waiting for a rehabilitation plan to be completed. I can provide more specific proposals along these lines if necessary.

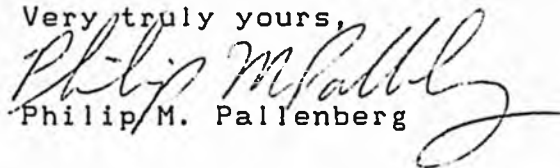
- 1) DEDUCT
- 2) FUND
- 3) RATES
- S/R ON
- WAGES
- 4) BENEFITS
- REHAB

Clearly, the present system has major flaws. Too much money and time is expended in litigation. Too much money is wasted on meaningless rehabilitation. Too many workers are being financially devastated by injuries while other workers receive excessive benefits. The existing statute is an attempt, although not an entirely successful one, to compensate injured workers for their lost wages, and to return them to work. The proposed bill would abandon that effort, and instead pay settlements based solely on the impairment of the body--without regard to earnings. We must not let the need to cut litigation costs and promote certainty eliminate fairness. Fairness, after all, means only that benefits have some relation to what a worker has lost as a result

January 11, 1988

of an injury. That is what the system is supposed to do--and can do, if we are willing to make it work. I sincerely hope that this Legislature will not be remembered as the one which stripped injured workers of their right to be fairly compensated for their injuries.

Very truly yours,


Philip M. Pallenberg

cc: Governor Cowper
Members of the Senate Labor and Commerce Committee
Members of the House Labor and Commerce Committee
Senator Duncan
Representative Hudson
Representative Ulmer

AACD
ALASKA ASSOCIATION FOR COUNSELING AND DEVELOPMENT

ALASKA
- STATE BRANCH -
AMERICAN
ASSOCIATION FOR
COUNSELING AND
DEVELOPMENT

*Jim -
with support as
much needed,
Best wishes,
Pat*

Fifth Avenue Bldg. • Suite 500
900 W. 5th Avenue
Anchorage, Alaska 99501 U.S.A.
Telephone: (907) 258-3077

1-24-88

TO: SENATOR TIM KELLY

FROM: Pat Reeves, Legislative Chair
Alaska Association for Counseling and Development

In Re: Proposed Addition: p. 10, (6) REHABILITATION SPECIALIST
WORKMEN'S COMP BILL - SB322/HB352

The Alaska Association for Counseling and Development strongly supports the inclusion of other nationally certified professionals to be listed in SB322/HB352, p. 10 (6) as rehabilitation specialists.

You have selected only one group to be listed: certified insurance rehabilitation specialists aka CIRS(or CIRSC). We are aware that there are other equal or more qualified certified groups that need to be listed in this bill. Why "determine" criteria at a future date?

The present bill reads (p.10 (6)) as follows:

"(6) "rehabilitation specialist" means a person who is a certified insurance rehabilitation specialist or a person who has equivalent or better qualifications as determined under regulations adopted by the department."

It could be surmised that the "certified insurance rehabilitation specialists" have been approved to provide reemployment services and other groups have not been sanctioned.

A letter dated 12-10-87 from Eda Holt, Executive Director of the CIRSC (CIRS) - certified insurance rehabilitation specialist - Board states: (copy attached)

". . . As you can see by the standards, a person certified as CIRS may not necessarily do vocational counseling."

Further, the application for the "certified insurance rehabilitation specialists (CIRS/CIRSC), page 1, clearly states: (copy attached)

"The holder of the CIRS credential has demonstrated a minimum acceptable level of knowledge pertaining to

disability compensation systems as determined by the commission. THE CIRS DESIGNATION, IN AND OF ITSELF, HOWEVER, NEITHER IMPLIES NOR REPRESENTS THAT ITS HOLDER POSSESSES KNOWLEDGE AND SKILLS IN A SPECIFIC DISCIPLINE (e.g. ADMINISTRATION, COUNSELING, NURSING, VOCATIONAL EVALUATION, WORK ADJUSTMENT, JOB PLACEMENT,) THAT MAY BE NECESSARY TO PROVIDE REHABILITATION SERVICES TO ELIGIBLE DISABLED INSURANCE RECIPIENTS.

Why was this certificated group (10-11 in Alaska) set up as the standard to deliver reemployment (rehabilitation) services at the exclusion of equal or more qualified groups? Their own certification (as quoted above) "neither implies nor represents that its holder possesses knowledge and skills . . . that may be necessary to provide rehabilitation services to eligible disabled insurance recipients."

Other professionals in Alaska spend time, effort and money to maintain higher professional credentials (national certification status).

We request that you include the following professionals among the groups qualified to provide reemployment services to Alaska's injured workers:

NATIONAL CERTIFIED COUNSELORS (NCC) - credentialed by the National Board of Certified Counselors. Requirements for Certification: Masters Degree; Annual Fee; Supervised Practicum; Work Experience; References; Written four-hour examination; Annual continuing education units to maintain professional knowledge.

AMERICAN BOARD OF VOCATIONAL EXPERTS (ABVE) - Fellow or Diplomate status. Certificate requires Masters Degree; Rehabilitation experience; Board Annual Review/Approval; Written four-hour examination; Fee; 14 Annual Continuing Education Units.

Vocational Expert (VE) - Certified by U.S. Government Health & Social Services, Social Security Division, Board of Hearings & Appeals. Requirement: Rehabilitation experience/training/approval and annual evaluation. Serves at request of Administrative Law Judge for Social Security Disability Hearings as Vocational Expert.

Your compliance with this request will be greatly appreciated by the professional organization and by those who will be receiving the reemployment services.

Thank you for this consideration.



BOARD FOR REHABILITATION CERTIFICATION

1156 Shure Drive, Suite 350, Arlington Heights, Illinois 60004 (312) 394-2104

December 10, 1987

Dear

In response to your letter sent to the NRA. The letter was forwarded to me at CRCC and CIRSC for handling.

Enclosed, please find applications for CRC and CIRSC.

Please read the eligibility standards for each process carefully.

Please send our office a copy of the Workers Compensation Law. As you can see by the standards, a person Certified as CIRS may not necessarily do vocational counseling.

The grandparenting period for CIRS occurred over 18 month period, from October, 1984 through October, 1985-three field test examinations with 3,465 applicants.

The CRC and CIRS Certifications are separate and distinct. No, the CIRS was not designed to replace the CRC.

Should you desire further information, please feel free to contact me.

Sincerely,

Eda Holt, Executive Director
EH/pc

The Board is Composed of Appointees from the Following Organizations:
ACCD, ARCA, CORE, CSAVR, NANWRW, NARF, NARPPS, NRCE and NRCA.

Betty S. Hedgeman, Ph.D., CRC, PRESIDENT
Lex Frieden, VICE-PRESIDENT
Lawrence J. Dencen, Ph.D., CRC, TREASURER
Ruth White, CRC, SECRETARY
Eda Holt, EXECUTIVE DIRECTOR

Barbara Banks, CRC
Ethel Briggs, CRC
Alan Goldstein
Michael Willis, M.S., CRC
Grace Gianforte, M.S., CRC

Lawrence Warnock, CRC
William H. Graves, Ed.D., CRC
G. Berk Lynch, II, Ph.D., CRC
H. Gene McDowell, CRC
David Myers

Ken Olson, M.A., CRC
Stanford Rubin, Ed.D., CRC
Peter Griswold

JSEC

9

January 29, 1988

Tim Kelly
P.O. Box V
Juneau, AK 99811

Dear Mr. Kelly:

On behalf of Job Service Employer's Committee and the JSEC Legislative Committee we are proposing the following change to the Senate Bill 322 and House Bill 352 "An act relating to Worker's Compensation..."

PROPOSED CHANGE:

Page 10, Sec. 6 AS 23.30.041 (REHABILITATION OF INJURED WORKERS) should be changed to read as follows:

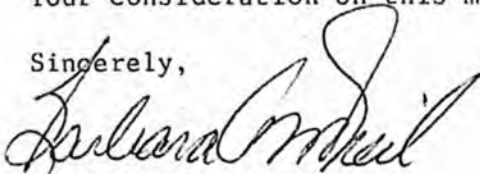
(6) "Rehabilitation Specialist" means a person who is certified by at least one of the following national certifying boards: THE NATIONAL BOARD OF CERTIFIED COUNSELORS (National Certified Counselors - NCC); THE COMMISSION ON REHABILITATION COUNSELOR CERTIFICATION (Certified Rehabilitation Counselor - CRC); THE CERTIFIED INSURANCE REHABILITATION SPECIALISTS COMMISSION (Certified Insurance Rehabilitation Specialists - CIRS); THE AMERICAN BOARD OF VOCATIONAL EXPERTS (DIPLOMATE/FELLOW, VOCATIONAL EXPERT - ABVE).

THE PRESENT DRAFT reads as such on Page 10, Sec. 6 AS 23.30.041:

(6) "Rehabilitation Specialist" means a person who is a certified insurance rehabilitation specialist or a person who has equivalent or better qualifications as determined under regulations adopted by the department.

Your consideration on this matter would be greatly appreciated.

Sincerely,



Barbara A. McNeil
Anchorage JSEC Legislative Committee Chairperson

c11

To Whom It May Concern:

My name is Donald R. Rudolph. I was injured on the job in 1985 while working as the area mechanic for the Juneau Fire Department. The last day of work was August 30, 1985. My leg went numb, from my knee down to my toes on my right side. I couldn't lift my foot while walking. I wanted to return to my job, but my local physician told me that I could not do this type of work again, or any heavy labor type work in the future.

I have accumulated twenty three years experience as a mechanic and twenty two years as a carpenter. In 1979 I was trained as a commercial diver. Now all of this is gone, wasted so to speak.

I now possess two herniated discs, a free fragment floating around, and more often than not I'm in a lot of pain.

I have this insurance called workers' compensation. It is to cover you when injured on the job. If feel sorry for anyone, who would try to use it. The city attorney hired by my former employer uses any means possible to make me look bad. The humiliation, stress, and hardships I suffer financially are hard to bear. This is not counting the pain.

My family life has been injured as well. There is no compensation for these things. The rehab is about as worthless as anything I have ever seen. I had S.E. Rehab supposedly working to help me "being paid by the insurance company". She was paid by and working for the insurance company, thus working for them and not helping me. I went through three counselors as Cascade (now S.E. Rehab) and only one of those tried to do anything for me, and she was fired immediately, because she wanted to do the right thing for the injured worker. The insurance company in Anchorage (GAE) didn't like someone working against them. I worked with one counselor, then she was gone. Then another one would show up and a different process would start up, because none would agree with what the previous one was doing, and nothing was passed from one to the other. So all was lost in the shuffle.

The last and final counselor lied in my last workers' compensation hearing by stating that I had several job interviews, when I only had one, which was at the office next door to her, from which she just happened to wonder into. She lied on the resume she made up for me to use, stating that I could repair all kinds of office equipment, when in fact, I didn't know the first thing about them.

Another Rehab outfit in Seattle, Washington was hired by the insurance company to keep tabs on me while I was going to

school, lied in the hearing, stating that I was definitely on drugs while talking to me on the phone one day. The dirty tactics used should be against the law. Instead of helping a person they try to destroy you instead.

Also what I feel is rotten, that the Insurance Companies lawyers, and Rehab outfits play doctors, when they are not qualified to do so. This should be prohibited.

Finally, after a year and a half of nothing happened, I went to Washington State and found a school to re-train me in a new field. I trained for seven months in Computerized accounting, in which I had no experience at all. This was the only field that the rehab and insurance company would agree to.

After seven months of training I returned to Juneau, home. I have since applied for every job that I could come close to qualifying, and some that I didn't qualify for. Most of the times, the person hired, has five or six years experience. There are usually around twenty people interviewed for each job, and I don't know how many people have applied for the job. All state workers previously laid off have preferential hire rights. Also others have years of experience in the same field of which I have seven months training in. I am now looking for jobs which pay \$5.00 per hour without any benefits whatsoever. I was making \$14.40 per hour at the fire department plus benefits. But now the insurance company along with the City's hired lawyer has decided that I "should" be making \$9.05 per hour. So now my workers' compensation has dropped from \$323.19 per week to \$94.36, a total income of \$408.00 a month and my total bills run \$1,300.00 a month.

Another round won by the corrupt system and I can't get a workers' compensation hearing for many months to come, because there are 61 cases waiting in line with only one administrator to handle them.

I am too proud to go for welfare for help. I have a son to raise, no money, and a smiling city hired attorney and a happy insurance company.

Signed by an angry, once happy Alaskan.

Donald Rudolph (907) 596-8329
10742 Horizon Drive
Juneau, Alaska 99801

- 2 - J.S.

LAW OFFICES
FINDLEY & PALLEMBERG
THE VALENTINE BUILDING
119 SEWARD STREET, SUITE 1
JUNEAU, ALASKA 99801

THOMAS W. FINDLEY
PHILIP M. PALLEMBERG

TELEPHONE 586-3811
AREA CODE 907

February 2, 1988

Senator Tim Kelly
Chairman, Senate Labor &
Commerce Committee
P.O. Box V
Juneau, AK 99811

Re: SB 322/HB 352
Worker's Compensation Amendments

Dear Senator Kelly:

I would like to bring to your attention two other issues concerning the proposed Workers' Compensation Act amendments, which I did not mention in my previous letter. First, I do not believe that sufficient attention has been paid to the effects of this proposal on other state agencies.

I expect this bill to result in a substantial increase in demand for the services of the Division of Vocational Rehabilitation. Because so many workers will be deprived of meaningful vocational rehabilitation as a result of this bill, many of those workers will undoubtedly turn to DVR for assistance. This will particularly be true in rural Alaska. Since injured Bush residents will be ineligible for rehabilitation if a job exists for them in Anchorage, they will have a choice of either moving to Anchorage to work or seeking other forms of assistance. The cost of returning these individuals to work in their communities will ultimately be borne by the Division of Vocational Rehabilitation, rather than the workers' compensation carriers.

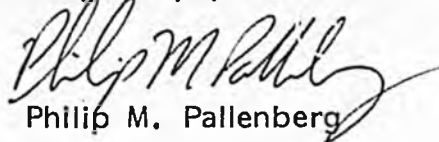
Secondly, the bill changes the standard of judicial review of decisions of the Workers' Compensation Board. Under existing law, decisions of the Workers' Compensation Board are reviewed under a "substantial evidence" standard. The bill would change this to an "any evidence" standard. This places substantially more discretion in the Workers' Compensation Board than is given to any other administrative or judicial decision making body. With all due respect to the members of the Workers' Compensation Board, I do not agree that the Board should be given so much latitude. The Board is as capable as any administrative agency of making a mistake. When it makes a mistake, it should be subject to appeal. The decisions of the Board can have enormous impact on people's lives. We need safeguards such as the right to appeal in order to safeguard the rights of all concerned to a fair and just decision.

Senator Tim Kelly

February 2, 1988

I hope the committee will consider these issues, as well as the others that have been raised.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Philip M. Pallenberg".

Philip M. Pallenberg

PMP:kr

cc: Members of the Senate and
House Labor & Commerce Committees

Bob Evans



Official Business

COMMITTEE:

Joint House and Senate
Labor and Commerce

DATE: January 21, 1988

SIGN-IN

Subject of meeting:

SB 322
SB 322 -- Act relating to workers' compensation, e.d

NAME PLEASE PRINT	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
<i>John Lewis</i>	<i>519 "L" Street #200 Anch AK 99501</i>	<i>276 2010</i>	<i>Justice Inc</i>	<i>no</i>
1. JOHN LEWIS		<i>305-443-8111</i>	<i>P.O. Box 330550 COCONUT GROVE FLA</i>	<input checked="" type="checkbox"/>
9 BOB ANDREWS	<i>OPERATING ENGINEERS</i>		<i>W.C. LABOR-MGMT</i>	
20 DAVID GOTTSTEIN	<i>CARR-GOTTSTEIN, INC</i>		<i>TASK FORCE</i>	<input checked="" type="checkbox"/>
3 STEVE HAAG	<i>11401 OLIVE ANCH 99515</i>		<i>WCCA</i>	<input checked="" type="checkbox"/>
4 GARY JENKINS	<i>NATL FED OF INDEPENDENT BUSINESSES 12070 Cross JNU</i>	<i>789-9621</i>		<input checked="" type="checkbox"/>
5 NORM GORSUCH	<i>CHAIR, INSURANCE COMTE - CHAMBER 310 2nd ST. JNU</i>	<i>586-2323</i>	<i>AK. STATE CHAMBER OF COMMERCE</i>	<input checked="" type="checkbox"/>
3 MANO FREY EXEC/PRES	<i>2501 Commercial Dr. Anch 99501 819 1st Ave. Fbx 99701</i>		<i>AK STATE AFL CIO</i>	<input checked="" type="checkbox"/>
CARR JENKINS			<i>NATL FED. OF INDEPENDENT BUSINESSES</i>	
6 BERT MASON, ESQ	<i>Robt. B. Mason & Assoc. 550 W. 7th Ave - Anch.</i>	<i>274-5546</i>	<i>MASON & ASSOCIATES LAW FIRM ANCHORAGE</i>	<i>for himself</i>
7 PHIL PALLENGBERG, ESQ	<i>217 2nd St. JNU</i>	<i>586-2701</i>	<i>ATTY. JNU</i>	<input checked="" type="checkbox"/>



Official Business

COMMITTEE:

Joint House and Senate
Labor and Commerce

DATE: January 21, 1988

SIGN-IN

Subject of meeting: SB 322

SB 322 - Act relating to workers' compensation, e.d.

NAME PLEASE PRINT	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
2. JACKIE McCLINTOCK	(answered questions) NO TESTIMONY		DIR., DIV OF W.C DEPT OF LABOR	answered questions
8 WM. SCHNEIDER EXEC. DIR.	BOX 92500 ANCH - 99509		ASSOC. GEN. CONTRACTORS OF AMERICA INC ANCH.	✓
9 TOM SLAGLE			AM. INSURANCE ASSOC.	✓
10 EDDIE HAYES	no address JNU	586-8158	VOC-REHAB COUNSELOR JNU.	✓
11 PAUL GRANT, ESQ		586-2701	217 2nd St. JNU	✓
12 Sue Roth	no address JNU	586-1816	VOC-REHAB CONSULTANT JNU	✓
13 Tom Wilton, OWNER GEN. MGR	phone: 789-1468 JNU 276-3311 -Ane	456- 4342	POB 244 WILTON ADJUSTMENT SERVICES FBX. 99707	✓

```

*****
*
* DELIVER TO: LHSCLCO
*
* ORIGINAL
* SENT: 01/21/88 TIME: 16:49
* FROM: LIOCDAY
* SUBJECT: H+S L&C, W. COMP., FS, 1-21-88
* PRINT DATE: 01/21/88 TIME: 16:50
*
*****

```

*** FINAL TELECONFERENCE STATISTICS ***

```

DATE: _____ JANUARY 21, 1988 _____
SITE: _____ ANCHORAGE _____
SPONSOR: _____ HOUSE AND SENATE LABOR AND COMMERCE _____
SUBJECT: _____ WORKER'S COMPENSATION _____
LOCAL MODERATOR: _____ DAVID J _____

```

OBSERVED:

NAME \ REPRESENTING	ADDRESS	PHONE #
BOB NESTEL	16810 EASY ST. #2	ANCH 99577 694-4372
ED WITE	5433 RENEE DR	ANCH 333-0254
STEVE REHNBERG	6230 PIONEER DR.	ANCH 337-4698
ADRIAN G BARBER	530 E TUDOR RD	ANCH 99503 562-5366
RODNEY FULTS	6311 DEEPTO RD	ANCH 333-5266
DICK BLOCK		ANCH 278-5266

```

TESTIFIED: _____ 00 _____
OBSERVED: _____ 07 _____
TOTAL: _____ 07 _____

```

```

START TIME: _____ 3:00PM _____
END TIME: _____ 5:00PM _____

```

Jan 24 -
Feb 12 - Cost analysis
and returned
studies.

1/21/88

- 1) JOHN LEWIS
- 2) LABOR / MGMT TASIC FORCE - BOB ANDERS / DAVID GOTTSTEIN
- 3) ~~PAT SMITH OR MAND FREY~~ →
- 4) ~~STEVE HAIG~~
- 5) ~~GARY JENKINS~~
- 6) ~~NORM GORSHON~~
- 7) ~~BECK MASON~~
- 8) ~~DR. PATRICIA COLLIER ALLEN~~
- 9) ~~DR. TIMOTHY AUSTIN~~
- 10) ~~DR. STEVE MESSERSCHMIDT~~
- 11) ~~PAUL PALLENBERG~~
- 12) ~~TOM SLAGLE~~ American Inmate Association
- 13) ~~RON TRUETT~~
- 14) ~~EDY HAYES~~ Vocational Rehabilitation Counselor
- 15) ~~PAUL GORM~~ - CITY OF ANGOON

Sue ROTH
Tom WILTON

~~Bill Smith~~

Classified Ads

CIRCULATION: 1,103,655 DAILY / 1,368,105 SUNDAY

SUNDAY, OCTOBER 12, 1980

JOB PRESSURES TOO MUCH ???

- ★ Overworked? ★
- ★ Harassed At Work? ★
- ★ Headaches? ★
- ★ Poor Sleep? ★
- ★ Stomach Aches? ★
- ★ Depressed? ★
- ★ Nervous/Irritable? ★
- ★ Back/Chest Pain? ★
- ★ Unfairly Fired? ★
- ★ Mistreated? ★

213/384-8089
818/242-6900
CALL US NOW
FOR
IMMEDIATE HELP!

You May Receive Treatment &

INJURED HARASSED AT WORK

or Unjustly Fired?

Call The



WORK

Trauma Hotline

Type Recorded Information
213/470-3378



or Call Direct

213/470-4220

Regarding Money & Benefits You May Be Entitled To Receive From Staff Dr's Through Worker's Comp. At No Cost to You Standing by to Advise You Are Attorneys & Psychologists Who Can Provide Psych And Legal Services in Connection with Work Injury & Job Stress.

FREE INITIAL

HARASSED AT WORK

CALL NOW

213/879-6227

If you have: Headaches • Stomach Aches • Back-Neck Pains • Chest Pains • Poor sleep • Tense • Depressed ... Due to:

- JOB MISTREATMENT •
- OVERWORKED •
- DISCRIMINATION •
- ABUSE/HUMILIATION •
- JOB THREATS •

You may receive: ✓ Free Services ✓ Compensation Payments & ✓ Treatment through Workers Compensation.



JOB PROBLEMS

If You Suffer From

NERVOUSNESS
LOW ENERGY, IRRITABILITY
INSOMNIA, DEPRESSION
HEADACHES or OTHER
DISABLING
PSYCHOLOGICAL
SYMPTOMS

That are a result of:

- ★ Emotion'l Stress
- ★ Harassment
- ★ Physical Injury
- ★ Overwork

Etc., while on the job.

(213) 655-8777

(818) 789-0788



NO COST TO YOU

You may be entitled to
SUBSTANTIAL BENEFITS

- ★ COMPENSATION PAYMENTS
- ★ EVALUATION
- ★ TREATMENTS

CALL ANYTIME!

(213) 655-8777

(818) 789-0788

```

*****
*
* DELIVER TO: LIOCDAN
*
*
* ORIGINAL
* SENT: 01/29/88 TIME: 09:16
* FROM: LIOCDAV
* SUBJECT: H+S L&C;WORK'S COMP;FL#1;1-29
* PRINT DATE: 01/29/88 TIME: 09:17
*
*****

```

*** ANCHORAGE PARTICIPANT LIST ***

THE FOLLOWING PEOPLE ARE STANDING BY TO PARTICIPATE IN TODAYS HOUSE AND SENATE LABOR AND COMMERCE: WORKER'S COMP. TELECONFERENCE:

TO TESTIFY:

- 1.) REP. DONLEY *CHAIR*
- 2.) REP. ELLIS
- 3.) REP. BOUCHER
- 4.) REP. DAVIDSON
- 5.) REP. FURNACE
- 5.) REP. COLLINS
- 6.) SENATOR SZYMANSKI
- 7.) SENATOR KELLY
- 8.) SENATOR UEHLING
- ~~9.)~~ STEVE MONTGOMERY *OPPOSE*
- ~~10.)~~ CHARLES F. KRICHBAUM *OPPOSE*
- ~~11.)~~ GENE KREMER
- ~~12.)~~ CRAIG LINCOLN *CONSTITUTOR - OPPOSE*
- 13.) KENNETH O. KETZ, DC
- ~~14.)~~ DONNA MESKINEC *OPPOSE*
- 15.) DENNIS MUNSON
- ~~16.)~~ WARREN DVORAK *SUPPORT*
- ~~17.)~~ RENEE MURRAY *FOR*
- ~~18.)~~ JERRY BRINKLEY
- ~~19.)~~ GLEN RAINWATER *OPPOSE*
- 20.) JAMES C FREDRICK
- 21.) HOWARD CUTTER
- 22.) SHELLEY JMIKES-DAWSON
- 23.) JOE KALAMARIDES
- ~~24.)~~ TIM R CRAWFORD *SUPPORT*
- ~~25.)~~ L JOSEPH WELSH *OPPOSE*
- ~~26.)~~ MARJORIE LINDER *REHAB CONSULTANT - SUPPORT*
- 27.) ANNA BELL STEVENS
- ~~28.)~~ DAVID GOTTSTEIN *- 1/2M TASK FORCE*
- ~~29.)~~ DAVID HOLT
- 30.) LARRY BUCHOLTZ
- ~~31.)~~ CHANCY CROFT *- OPPOSE*
- ~~32.)~~ PATRICK ZOBEL
- 33.) EDDIE ANDERS
- ~~34.)~~ RON WEBB *OPPOSE*

TO OBSERVE:

- 1.) TOM MECHENZIE
- 2.) BILLY E. JONES
- 3.) JC HAMILTON
- 4.) R.M. LEBLANC
- 5.) NANCY WATKINS
- 6.) ROB NESTEL
- 7.) LYNN PHILLIPS
- 8.) PAT REEVES
- 9.) E. TAYLOR
- ~~10.)~~ GEORGE BERNARDY
- 11.) ROGER SAMS
- 12.) K. CAUGHLIN
- 13.) BARRY R FILBREATH
- 14.) VIRGINIA HATCH
- 15.) LEROY COUTURE
- ~~16.)~~ RALPH MINGO
- 17.) BARBARA MCLEAR
- 18.) LEN MCLEAR
- 19.) LURA WALLACE
- 20.) CATHY MORTON-HOLBROOK
- 21.) ELAINE MORTON
- 22.) MARVIN GOBLE
- 23.) JOHANNA MUNSON
- 24.) BILL SWANT
- 25.) JEFF DAY
- 26.) WILLIAM LUTES
- 27.) KEVIN DOUGHERTY
- 28.) SUE MERGER
- 29.) CALVIN L. TAYLOR
- 30.) STEPHEN FIELDS
- 31.) ELDON MULDAR
- 32.) GINGER BATH

EOM DAVID

 *
 * DELIVER TO: LIOCDAN *
 *
 * ORIGINAL *
 * SENT: 01/29/88 TIME: 09:23 *
 * FROM: LIOCMAT *
 * SUBJECT: L&C - WORKERS' COMP *
 * PRINT DATE: 01/29/88--TIME: 09:23 *
 *

MSG #1 FROM MATSU:

COMMITTEE MEMBER - REP MENARD

TO TESTIFY:

~~1~~ JOHN WILSON support
EOM

START/END TIME

*
* DELIVER TO: LIOCDAN *
* * * * *
* ORIGINAL *
* SENT: 01/29/88 TIME: 15:02 *
* FROM: LIOCMAT *
* SUBJECT: L&C- WORKER'S COMP *
* PRINT DATE: 01/29/88 TIME: 15:03 *
* * * * *

MSG#1 FROM AFTERNOON SESSION:

COMMITTEE MEMBER REP MENARD PRESENT

TO TESTIFY:

~~ED~~ ED ANDERS

SUPPORT

FROM

```

* ORIGINAL
* SENT: 01/29/88 TIME: 15:59
* FROM: LIOCDV
* SUBJECT: H+S L&C;WORK'S COMP;FS;1-29
* PRINT DATE: 02/01/88 TIME: 10:42
*
*****

```

*** FINAL TELECONFERENCE STATISTICS ***

```

DATE: _____ JANAUARY 29, 1987 _____
SITE: _____ ANCHORAGE _____
SPONSOR: _____ HOUSE AND SENATE LABOR AND COMMERCE _____
SUBJECT: _____ WORKER'S COMPENSATION _____
LOCAL MODERATOR: _____ DAVID JENSEN _____

```

TESTIFIED:

NAME\REPRESENTING	ADDRESS	PHONE #
REP. DAVE DONLEY	P.O. BOX V JUNEAU	99811
REP. ELLIS	"	"
REP. COLLINS	"	"
REP. DAVIDSON	"	"
REP. FURNACE	"	"
SENATOR SZYMANSKI	"	"
SENATOR KELLY	"	"
STEVE MONTOOTH	2600 DENALI ANCH	276-2978
CHARLES F KRICHBAUM	11435 OLD SEW. ANCH	344-1501
GENO KREMER	401 E 36TH AVE ANCH	561-4474
CRAIG LINCOLN	541 W 36TH ANCH	561-1222
KENNETH O KETZ	500 E TUDOR ANCH	561-4864
DONNA MESKINNEC	PO BOX 5179 WASI	99687 376-8254
DENNIS MUNSON	4021 E 20TH AVE ANCH	99503 337-5113
WARREN DVORAK	2791 PELICAN CT ANCH	243-0153
RENEE MURRAY	605 W 42ND AVE ANCH	99503 561-1725
JERRY BRINKLEY	NO ADDRESS GIVEN	248-0266
GLEN RAINWATER	7811 MACREVE CL ANCH	243-8369
JAMES S FREDRICK	4580 MENTROSE ANCH	243-1809
HOWARD CUTTER	1835 BRAGAW ANCH	99512 265-8172
SHELLEY MIEKE-DAWSON	2505 BLUEBERRY ANCH	276-6655
JOE KALAMERIDES	550 W 7TH ANCH	99501 276-2135
TIM R CRAWFORD	715 W FIREWEED ANCH	99503 265-4800
L JOSEPH WELSH	6600 E 8TH AVE ANCH	333-7278
MARJORIE LINDER	9111 VANGUARD ANCH	99507 344-3341
ANNA BELL STEVENS	825 E 8TH AVE ANCH	99501 279-1124
DAVID GOTTSTEIN	6411 A STREET ANCH	561-1944
DAVID HOLT	NO ADDRESS SOLD	
LARRY BUCHHOLZ	SRA BOX 6651 WASI	99687 376-3641
CHANCY CROFT	758 H STREET ANCH	272-5508
PATRICK ZOBEL	943 W 6TH AVE ANCH	99501 279-9574
EDDIE ANDERS	3310 W 78TH AVE ANCH	243-4951
RON WEBB	2020 ABBOTT RD ANCH	99507 344-3565
CRAFT HITTER	PO BOX 6700 CHUG	99567 688-2814
VINCE ??????	232 2ND STREET FBKS	99701 457-0344
RODNEY FULTS	6311 DEBARR RD ANCH	333-2576
ROBERT ANDERS	3310 W 78TH AVE ANCH	243-4951
BILL REEVES	3201 SPENARD ANCH	561-5351
ROBERT C MELTON	2702 DENALI ANCH	349-2077
BURT MASON	NO ADDRESS GIVEN ANCHORAGE	

R. CATTANACH	NO ADDRESS GIVEN	ANCHORAGE	
MANO FREY	2501 COMMERCIAL	ANCH	99501
GIL JOHNSON	4120 LAUREL #102	ANCH	562-3331
BARRY LEE	3201 C STREET	ANCH	99503 561-5578
WAYNE BECKWITH	415 F STREET	ANCH	99501 272-2401

====>45

OBSERVED:

NAME\REPRESENTING	ADDRESS		PHONE #
TOM MECHINES	PO BOX 5179	WASI	99687 376-8254
BILLY E JONES	PO BOX 200641	ANCH	99520 277-1186
JC HAMILTON	NO ADDRESS GIVEN		564-5184
R.M. LEBLANC	300 PUBLIC SQ.	JNU	99811 586-4152
NANCI WATKINS	840 K STREET	ANCH	99501 243-0072
BOB NESTEL	16810 EASY STR	E.RIV	99577 694-4372
LYNN PHILLIPS	3339 SEPPALA	ANCH	248-7630
PAT REEVES	3140 CHESAPEAKE	ANCH	562-4669
JERRY L. ???????	3140 CHESAPEAKE	ANCH	337-0200
E. TAYLOR	2028 OTTER	ANCH	338-7880
MS. MARFIN	11221 OLIVE	ANCH	344-0022
GEORGE BERNARDY	BLDG 32-156	ELMEN.AFB	753-3588
ROGER SAMS	2702 DENALI ST	ANCH	272-6571
K CAUGHLIN	3210 E 40TH	ANCH	562-4459
BARRY R GILBREATH	635 E 81ST	ANCH	349-5218
VIRGINIA HATCH	2805 BERING ST	ANCH	561-5335
LEROY COUTURE	1200 W DOWLING	ANCH	561-1180
RALPH MINGO	PO BOX 102092	ANCH	99510 269-4100
????????????	2550 DENALI #700	ANCH	274-0666
BARBARA MCLEAR	1200 I ST	ANCH	277-0368
LEN MECLAR	"	"	"
LURA WALLACE	343 E 32ND AVE	ANCH	99504 333-5116
CATHY MORTON--HOLBROOK	506 W 6TH AVE	ANCH	99501 272-9312
ELAINE MORTON	506 W 6TH AVE	ANCH	99501 272-9312
MARVIN GOBLE	1500 W LAKE LUCILLE		99687 376-8608
JOHANNA MUNSON	4120 LAUREL #102	ANCH	562-2811
BILL SWANT	3201 C ST # 200	ANCH	99503 561-7654
JEFF DAY	1400 W BENSON	ANCH	277-5454
WILLIAM LUTES	9520 GROVER	ANCH	345-6499
KEVIN DOUGHERTY	2501 COMMERCIAL	ANCH	276-1640
SUE MERGER	5400 ARCTIC	ANCH	561-1443
CALVIN L TAYLOR	4929 W 80TH AVE	ANCH	243-1208
STEPHEN FIELDS	6524 LINDEN DR	ANCH	243-1387
VERN WATTS	3601 C ST	ANCH	249-1206
ED SPARKS	"	"	249-1507
MICHELE HOSKINS	8050 PIONEER #301	ANCH	338-0758
JAMES PENTLARGE	1400 W BENSON	ANCH	276-1919
MADLINE A. RUSH??	201 DANNER #110	ANCH	349-6461

ED RADCLIFF	4220 B STREET	ANCH	562-2266
FAYE SMITH	5307 E N. LGHTS	ANCH	337-2211
PAT SCHULTZ	NO ADDRESS OF PHONE # GIVEN		
CAPT. SELMAN	6613 BRAYTON	ANCH 99507	522-5234
K. RUSSELL	821 N ST. #205	ANCH	258-1747
ERIKA MAHANEY	PO BOX 671495	CHUG 99567	337-8269
JERRY FOSTER	4051 ROMANZOF	ANCH	243-5620
MR. CALENDERS	SR 192A	ERIV 99577	674-9098
E ROSE	1207 W 8TH AVE	ANCH	276-5366
T. ANDERSON	3321 STARBOARD	ANCH	345-5948
GINGER BAIM	REP. DONLEY'S STAFF		
ELDON MULDAUR	SEN. KELLY'S STAFF		

==== 50

R. GRUFFIN	NO ADDRESS GIVEN	ANCH	
S. HADLEY, MD	NO ADDRESS GIVEN	ANCH	
FRENT GAZAWAY	1521 W 14TH AVE	ANCH 99501	
ERIKA MAHANEY	PO BOX 671495	CHUG 99567	
JIM BRYSON	10601 OLIVE LN	ANCH	344-5432
DAVID HOLT	635 SANDPIPER LANE	KENI	283-4205
??????????????	1341 FAIRBANKS	ANCH	277-6639
APRIL REILLY	2201 E 84TH AVE	ANCH	344-5545
K. KAISER	635 E 81ST AVE	ANCH	349-5218
KEITH R. VALDEZ	9601 NEW AVRAI LP	ANCH	349-3884
CATHY SMITH	4341 B STREET	ANCH	561-6000
DEBRA JACOBSON	4341 B STREET	ANCH	561-6000
CHRISTY CLOSE	3710 E 20TH	ANCH 99507	561-9727
LARRY BONWELL	1890 E 58TH AVE	ANCH 99507	561-0722
RICK STONE	301 DANNER #370	ANCH 99518	522-1093
D. KEHLER	341 E 77TH AVE	ANCH 99518	344-8031
RON ROBERTS	3301 C STREET	ANCH 99502	562-1300
H. CARMICHAEL	6000 C STREET	ANCH 99518	563-5333
SUSAN HARVEY	7001 JEWEL LAKE	ANCH 99502	
PEGGY W????????	"	"	248-2642
TAMMI LINDSAY	"	"	248-2642
KARIN COPELAND	3213 DOIL DR	ANCH 99507	561-4815
ED HITE	5653 RENEE CIR	ANCH	333-0254
PAUL DONLEY	1303 S. HAMPTON	ANCH	562-4986
SUE DONLEY	"	"	"
KATHY WILLIAMS	CRAWFORD AND CO.	ANCH	563-5014
SHARON WHITE	"	"	"
HAI INGALLS	6000 A ST	ANCH	562-2312
DAVID L ROGERS	2148 SUNRISE DR	ANCH	274-1952

====>79

TESTIFIED:	_____45_____	START TIME:	___9:00AM___
OBSERVED:	_____79_____	END TIME:	___4:00PM___
TOTAL:	_____124_____		

```

*
* DELIVER TO: LSNCLCO
*
* ORIGINAL
* SENT: 01/29/88 TIME: 16:40
* FROM: LIOCKOT
* SUBJECT: FS HL&CC WORKMANS COMP OTZ
* PRINT DATE: 02/01/88 TIME: 10:44
*

```

DATE: JAN. 29, 1988
SITE: KOTZEBUE
SPONSOR: HL&CC
SUBJECT: LEG. PUBLIC HEARING WORKMANS COMP.
MODERATOR: MARY BROWN, KAREN JOHNSON

FINAL STATS

TESTIFIED	ADDRESS	PHONE #
NAME/REPRESENTING		
1.		
2.		
3.		
4.		
5.		
6.		

OBSERVED	ADDRESS	PHONE #
NAME/REPRESENTING		
1.		
2.		
3.		
4.		
5.		
6.		

TESTIFIED: 0
UNABLE: 0
OBSERVED: 0
TOTAL: 0

START 'END TIME

```
*****  
*                                                                 *  
* DELIVER TO: LSNCLCO                                           *  
*                                                                 *  
* ORIGINAL                                                       *  
* SENT:          01/29/88   TIME: 16:41                         *  
* FROM:          LIOCKOD                                         *  
* SUBJECT:       JTL&C;FS;WK.COMP;1-29-88                       *  
* PRINT DATE:   02/01/88   TIME: 10:44                         *  
*                                                                 *  
*****
```

DATE: JANUARY 29, 1988
SPONSOR: JOINT HOUSE AND SENATE LABOR AND COMMERCE
SUBJECT: WORKMAN'S COMPENSATION
SITE: KODIAK I.T.O.

PARTICIPANT LIST

TO TESTIFY

NAME/REPRESENTING ADDRESS PHONE #

TO OBSERVE

NAME/REPRESENTING ADDRESS PHONE #

- 1. JOE HOGG/KODIAK BAPTIST MISSION, 1944 REZANOF KODIAK 99615, 486-4126
- 2. BRUCE FINKE/CARPENTERS LOCAL 2162, BOX 967 KODIAK 99615, 486-3331

TESTIFIED: 0
 OBSERVED: 2
 TOTAL: 2

MORNING START/END TIME: 10:06 AM TIL 11:00 AM
 AFTERNOON START/END TIME: 2:17 PM TIL 4:25 PM

* DELIVER TO: LSNCLCO *

* ORIGINAL *

* SENT: 01/29/88 TIME: 16:42 *

* FROM: LIOC DLG *

* SUBJECT: H+S L&C WORK.COMP.1-29-88 *

* PRINT DATE: 02/01/88 TIME: 10:44 *

DATE: JAN. 29, 1988 9-NOON, 2-4

SITE: DILLINGHAM LIO

SPONSOR: HOUSE & SENATE LABOR & COMMERCE

SUBJECT: WORKMAN'S COMPENSATION

MODERATOR: DOROTHY LARSON AND ANNA MAY SORENSEN

FINAL STATS

TESTIFIED

NAME/REPRESENTING ADDRESS PHONE #

OBSERVED

NAME/REPRESENTING ADDRESS PHONE #

1. DALLAS K. NELSON, BOX 741, DILLINGHAM, AK. 99576 842-2300

DR. NELSON WAS HERE FOR THE MORNING SESSION, AND WAS UNABLE TO TESTIFY. DID NOT RETURN FOR AFTERNOON SESSION.

TESTIFIED: 0 UNABLE: 1 OBSERVED: 1 TOTAL:
1

START/END TIME: 9AM TO NOON PLEASE USE THESE FINAL
STATS IN PLACE OF FIRST FINAL STATS MSG.

*
* DELIVER TO: LSNCLCO *
*
* ORIGINAL *
* SENT: 01/29/88 TIME: 16:43 *
* FROM: LIOCKTN *
* SUBJECT: H-S L&C;WKS COMP;FS;1-29-88 *
* PRINT DATE: 02/01/88 TIME: 10:45 *
*

DATE: 1-29-88
SPONSOR: HOUSE/SENATE LABOR AND COMMERCE COMMITTEE
SUBJECT: WORKMAN'S COMPENSATION
SITE: KETCHIKAN
MODERATOR: DORIS CROCKETT

FINAL STATISTICS

TO OBSERVE:

1. VIRGINIA KLEPSE (REPRESENTING KETCHIKAN JOB SERVICE), 326 DOCK, KETCHIKAN, AK 99901, 225-3181
2. ROGER CARLSON, 433 MAIN, KETCHIKAN, AK 99901, 225-4908

TESTIFIED: 0
UNABLE: 0
OBSERVED: 2
TOTAL: 2

9:00-11:10 AND 2:40-4:28

*
* DELIVER TO: LSNCLCO *
*
* ORIGINAL *
* SENT: 01/29/88 TIME: 16:53 *
* FROM: LIOCSIT *
* SUBJECT: JT.L&C;FS;WORKERS' COMP;1-29-88 *
* PRINT DATE: 02/01/88 TIME: 10:45 *
*

JANUARY 29, 1988
H & J LABOR & COMMERCE COMMITTEES
WORKERS' COMPENSATION
SITKA
MODERATOR-ELAINE SUNDE

---THERE WERE NO PARTICIPANTS IN SITKA. WRITTEN TESTIMONY WAS SENT
VIA FAX.

- O-TESTIFIED
- O-UNABLE
- O-OBSERVED
- O-TOTAL

*
* DELIVER TO: LSNCLCO *
* *
* ORIGINAL *
* SENT: 01/29/88 TIME: 17:20 *
* FROM: LTCCFBX *
* SUBJECT: H&S L&C;FS;WORK'S COMP;1-29-88 *
* PRINT DATE: 02/01/88 TIME: 10:45 *
* *

***** FINAL STATS *****

DATE: JANUARY 29, 1988 _____
 SITE: FAIRBANKS _____
 SPONSOR: SENATE/HOUSE LABOR & COMMERCE _____
 SUBJECT: WORKER'S COMPENSATION _____
 MODERATOR: FRAN _____

 TESTIFY:
 NAME\REPRESENTING ADDRESS PHONE:#
 1.) REP. KOPONEN
 2.) ART ROBSON, 600 UNIVERSITY, FBX 99701 479-6281

 OBSERVE:
 NAME\REPRESENTING ADDRESS PHONE #
 1.) GEORGE RILEY, UAF, FAIRBANKS 99775 474-6206
 2.) JO SWARNER, SEN. FAHRENKAMP'S OFFICE 452-4882
 3.) MARY A. KLINK, 1873 GILMORE TRAIL, FBX 99712 457-8314
 4.) SKIP COOK, PO BOX 810, FBX 99701 452-1855
 5.) JOHN CONNERS, PO BOX 810, FBX 99701 452-1855
 6.) IKE CHARLTON, 4027 BIRCH LANE, FBX 99709 479-3849
 7.) PHIL NELSON, 1812 HILTON, FBX 99701 452-7151
 8.) JUDITH HANNIG, 626 2ND ST., GRAEHL, FBX 99701 456-8717
 9.) CONNIE OLSON, 232 2ND ST., GRAEHL, FBX 99701 451-0544
 10.) CLARE HIRATSUKA, 232 2ND ST., GRAEHL, FBX 99701 451-0544
 11.) MIKE STACKHOUSE, 232 2ND ST., GRAEHL, FBX 99701 451-0544
 12.) ED MUSTED, 613 CUSHMAN, STE. 210, FBX 99701 456-8777
 13.) FRED PRATT, PO BOX 72981, FBX 99707 452-3061
 14.) NEDRA WALKER, 1525 EIELSON, FBX 99701 452-3007

 TESTIFIED: __2__
 OBSERVED: 14__
 TOTAL: 16__

TIME START/TJME END: __9:00 A.M. - 4:10 P.M. __

```

*****
*
* DELIVER TO: LSNCLCO
*
* ORIGINAL
* SENT: 02/01/88 TIME: 10:04
* FROM: LIOCDAN
* SUBJECT: JT L & C;WORKER'S COMP;FS;1-29
* PRINT DATE: 02/01/88 TIME: 10:46
*
*****

```

```

DATE: 1-29-88
SITE: JUNEAU
SPONSOR: JOINT(H & S) L & C
SUBJECT: WORKER'S COMP
MODERATOR: DAN

```

FINAL STATISTICS

TESTIFY

NAME/REPRESENTING	ADDRESS	PHONE #
1. REP BOUCHER		
2. DON RUDOLPH	10742 HARIYON DR JNU 99801	586-8329
3.		
4.		

OBSERVE

NAME/REPRESENTING	ADDRESS	PHONE #
1. JOHN RINGSTAD		
2. DON RUDOLF		
3. MICHAEL T MILL		
4. SHERRY GRODEN		
5. JAY ?(POORLY WRITTEN) 6.		
6. RICK LAUBER	PSPA	586-6366
7. DON REULEAU		586-3707
8. DONNA WILLIAMS	REP NAVARRE'S OFFICE	465-3765
9. ED FLANAGAN	REP BOYER'S OFFICE	465-3466

```

TESTIFIED: 2
UNABLE: 0
OBSERVED: 9
TOTAL: 11

```

START/END TIME 09:00/16:22

1/29 STATEWIDE T/C

15 PERSON TO TESTIFY

PELM. DISABILITY SECTION -

- GIVE ORIGINAL WORKERS COMP LAW
- WILL CAUSE MAJOR FIGHTING OVER DEGREE OF IMPAIRMENT
- REHAB - 60 DAYS NOT LONG ENOUGH TO KNOW ABOUT EXTENT OF INJURY

WHAT ABOUT EXTENUATING CIRCUMSTANCES

THIS LAW IS SAME AS LAW STRUCK DOWN -
NOT CONSTITUTIONAL

CHANCY CROST

PROB = LACK OF INFO

BILL PROVIDES NOTHING FOR ANYONE

BILL DOESN'T SET RATES

MANDATE 15-20% REDUCTION

INTENT LANGUAGE - TOO MUCH FLEXIBILITY FOR
ADMINISTRATION

INSURANCE CO. GET LIBERAL INTERPRETATION WHILE
WORKER GETS LIMITED INTERPRETATION

'85-'87 TIME OF CLAIMS INCREASED 61%

AVERAGE TIME OF CLAIM = 2X THAT IN LAW

SYSTEM NEEDS TO BE DESIGN TO ACCEPT THAT
80% OF LITIGATED CASES W/A SETTLED.

DIV. OF INSURANCE DOESN'T HAVE INFO TO
DETERMINE RATES - THEY ONLY ALLOW THEM TO
OCCUR

3RD PERSON - RON WEBB

MEDICAL STABILITY - MAKES PERSON PAY TEMP DAY
OUT OF P&M. PARTIAL

DOCTOR STOPPING BY INSURANCE CO. -

* NO INCENTIVE FOR INSURANCE, EMPLOYER OR
DEFENSE ATTY TO SETTLE

VOL
REHAB DIDN'T DO ANYTHING

AMA GUIDELINES DON'T DO IT

LIST OF MEDICAL EXAMINER WON'T WORK

ORTHOPEDIC DR S/W REVIEW CHIROPRACTOR

MUST SUBMIT TO ANY TEST

PLAINTIFF ATTY GETS 10% - CAN PETITION FOR HONOR

DR. STEVE MONTGOMERY

MENTAL HEALTH COUNSELOR

PRESENT LAW IS VERY DEMORALIZING TO PEOPLE

P.E. DOESN'T ADDRESS PERSON BEING PSYCHOLOGICALLY
READY FOR REHAB

NON-COOPERATIVE - NOT DEFUSED WELL

2 YEAR LIMIT IS TOO SHORT FOR PEOPLE

DR KIRSCHMANN - CHIROPRACTOR

10-15% WORKERS COMP PATIENTS

P 13 - EVALUATIONS S/B BY LICENSED DR.
NEED PROVISION FOR TIMELY NOTICE OF
NEW EXAMS REQUIRED BY EMPLOYER

P 15 I M E

(OVERSIGHT BY DIFFERENT SOCIETIES IS CURRENT LAW) -

DONNA MESKINEC - CLAIMANT

INSURANCE CO. A PROBLEM

P 12 L 7-9 - INSURANCE PEOPLE ACTUALLY MAKING
APPTS FOR OTHER EXAMS - NUMEROUS DRs.

RENÉE MURRAY - INS. ADJUSTER

23.30 265 (17) - STRESS -

COURT REMOVED ALL REFUSES TO STRESS CLAIM
IF NOT STOPPED - STRESS CLAIMS W/R GREATEST EXPENSE^{YST}

DR LINCOLN - CHIROPRACTOR

P 16 L 24 - EMPLOYEE NOTIFICATION

THIS SECTION ISN'T FAIR TO EMPLOYEES
"MIND STABILITY" - PERSON MAY BE STABLE BUT
PROBLEM WILL DETERIORATE - CAN NO LONGER
TREAT THEM

CAN'T MEASURE PAIN

Gene Kasper - CITY PRACTICE

P 12 L 7-11 - CHANGE OF DOCTORS

DEFINE ATTENDING PHYSICIAN; HOW TO QUALIFY
AS SPECIALIST

P 13 - # OF VISITS

~~X~~ CAN PLAN BE MODIFIED?

JERRY BRINKLEY - ON W/ COMP

POINTS MADE IN HIS LETTER

ALL EXPENSES S/B REPORTED

ART ROSSON - UNIFISO FBKS

THEY W/ HAVE FINAL REPORT BY NEXT FRIDAY

JOHN WILSON - MAT-SG

DO AWAY W/ STRESS CLAIMS

WARREN DUBOIS - ANCH. SCH. DIST.

COST WENT FROM \$900.0 → \$1,500.0

THIS BILL W/ HAVE SAVED THEM SUBSTANTIAL
TO OS SEVERAL RECENT CLAIMS

THERE ARE DEFINITE SAVINGS IN THIS BILL

GEORGE BERNARDY - GILMORE TRACKING SITE

DOESN'T ADDRESS ALL PROBLEMS OF EMPLOYERS BUT

DOES DO A LOT TO CORRECT THE SYSTEM

GREEN RAINWATER

~~THIS BILL IS BAD FOR WORKERS~~

LUNCH

DON RUDOLF - JUNO

\$'S GO TO UNQUALIFIED REHAB ? LAWYER REPRESENT
EMPLOYEES

DAVID GOTTSTEIN - TASK-FORCE

TRIED TO CLEAR UP MISUNDERSTANDINGS
OF THE BILL

MARGERY LINDER VOC REHAB COUNSELOR

OUR COMP SYSTEM LIKE "REQUIRING OF A HEAVYWEIGHT
WORKER FORCED TO DO SOMETHING HE CAN'T WORK
? HANGERS-ON GET MORE THAN THE WORKER

REHAB NEEDS TO BE SEPARATED FROM THE
~~COMP~~ SETTLEMENT SYSTEM

ALLOW WORKER TO MAKE THEIR OWN CHOICES
IN ? OUT OF REHAB

SUPPORTS THE BILL

DAVID HOLT - BAKERY MGR (SAFEWAY)

CURRENT REHAB SYSTEM MAKES HIM CONCERNED
ABOUT THIS BILL

PATRICIA ZOBEL - INSURANCE DEFENSE ATTY

BILL MUST BE A COMPROMISE

IF EVERYBODY IS HAPPY W/ IT - IT'S PROBABLY BTD

BILL GOES BACK TO FORMULA EXCEPT FOR SPECIAL CASES

COURT CASE ON STRESS OPENED IT UP

EVERY JOB HAS A STRESS LEVEL

CLAIMS USUALLY A PERSON IN A WRONG SITUATION

2 PROBLEMS W/ CONSTITUTIONAL

NEEDS BACKUP

WAGE RATE IN-STATE VS OUT-OF-STATE

NEED SOMETHING STATISTICALLY VALID TO

HAVE DIFFERENT RATES

* P4 L13 NEED TO DEFINE SAME OR SIMILAR OCCUPATION -

* P7 (i) CONSTITUTIONALLY SUSPECT
NO RECOURSE OR REVIEW

NEED TO GET BOARD TO IMPLEMENT REGS

TIM CRAWFORD MGR AC CLEANER

PLEASE INSRAT

PIL 4-5 - THE INJURY DIRECTLY CAUSED BY
ACCIDENT ? WAS NOT PRE-EXISTING
SUPPORTS

JOE XUEISH ON WORKERS COMP

BILL SEEMS LIKE IS TAKING AWAY FROM
WORKERS

VOL REHAB S/B VOLUNTARY

TOOK 7 DOCTORS TO FIND HIS PROBLEMS
TOOK 2 YRS TO BE OPERATED ON
TIME LIMITS TOO SHORT IN BILL

BILL WILL HELP INSURANCE CO - NOT WORKERS

ED ANDERS - MASILLA MGR FOR SCHOOL BUS CO.
COSTS OF COMP ARE EXCESSIVE
SUPPORTS BILL

ROONEY FOLTZ

BILL DON'T BETTER SERVE EMPLOYEE
WANTS TO SEE BREAKDOWN OF COST
DON'T LIKE THE BILL
\$700/WEEK IS OK

WAYNE BECKWITH - ANCH CO. C

SUPPORTS BILL

BILL REEVES - A.G.C.

SUPPORTS BILL

MELTON

PSM PARTIAL SCHEDULE

NEW SYSTEM PAYS LESS FOR KESSEL LOSSES

MR GARY LEE HUFFMAN CONSTRUCTION CO.

SUPPORTS THE BILL

SITELBY MUEPKE - DAVISON

SUPPORTS BILL UNLESS APPROVED BY TASK FORCE

WORKERS COMP

PEOPLE TO TESTIFY

Juno

AMICH / TELCONF.

- NO SUE ROTH - MAYHEW LATER
- NO Tom SLAEGLE 536-3340 ^{ROCKINGTON} ^{MOBILE} ^{ETC}
- YES ³⁴⁴⁻¹⁵⁷⁷ STEVE HAIG ~~MAHO~~ NICLA
- YES MAHO ^{PAT SMITH} THUR 1/21 in Juno
- YES GEORGE KOUR / NORM GORSUCH ^{1/21}
- YES GARY JENKINS 1/21 NFIB
- YES BERT MASON 1/21
- YES DR PATRICIA CONNOR - ALLEN 1/21
- YES DR TIMOTHY ALLEN 1/21 ^{CHURCH/PASTORS}
- YES DR STEVE MESSERSCHMIDT 1/21
- YES PHIL PALLENBERG 1/21 ^{COMP} ^{ATTORNEY}
- YES NORM GORSUCH 1/21 ^{COF L}
- YES ROM TRUETZEL ⁷⁹⁷⁻¹⁷⁶⁷ 1/21 ^{PATIENT}
- YES EBY HAYES 1/21 526-2030

DAVID WALKER 338-0777
 1/29 CHANCEY CROFT 272-3588
 ↑ STELLY NEMKE - PARKSON

- MICHAEL } WARREN DVORAK - AMICH S. DIST
- HOWARD CUTLER - RIMS ^{RIMS AMT} - ALYSSA
- APRIL RIVER - SM BUS - DRAINAGE ROOFING
- EILEEN CRESS - 5'S WILSON
- JIM BENDALL ^{ATTY}
- RENSE MURRY ^{SCOTT WITZEL} ^{SCENES} MARGERY LINDSE - RETIRED COUNCIL
- ATTEMPT ERIC TOLIFSON - CARMS

9 ONLIES

1/19

JOHN LEWIS

PROFIDU COST \approx PART OF WAGE - EMPLOYEES ALSO
PAY FOR WORKING COMP

MEDICAL COSTS = 30-50% OF COMP COSTS

COSTS

AMT OF MEDICAL CARE

DURATION OF TIME ON SYSTEM

1) MEDICAL AREA IS AREA OF COST SAVINGS \neq BEING DETRIMENTAL

2) PERMANENT PARTIAL

USUALLY ARE 80% OF COMP COSTS

" " 9% OF COMP CASES

3) VDC REHAB

UNTIL 10 YRS AGO ^{ALMOST} NO VDC REHAB ANYWHERE

ORIGINALLY TO BE 3-5% OF PROGRAM COST

NOW 15% OF TOTAL COST

CALIF = 1.5 BILLION \neq NO PROOF OF MAKING A DIFFERENCE

MOST SYSTEMS HAVE NO INCENTIVE TO WORK

" " NO PROOF OF SIGNIFICANT RESULTS

4) NON TRADITIONAL MATTER

STRESS - YOU CAN ALWAYS BUY APPROPRIATE TESTIMONY

PROBLEMS & SOLUTIONS IN AIR SAME AS IN

OTHER STATES

JACKIE McCLINTOCK

BOARD SECS NEED TO CHANGE

- 1) IMBALANCE OF BENEFITS (MORE TO MORE DISABLED)
- 2) EVER INCREASING COST OF LITIGATION
- 3) VOC REHAB / PROVIDER COSTS

L/M TASK FORCE

BOB ANDERS, RALPH MINGO, KEN WREST - LABOR

MARY PEARCE, STEVE REHNBURG, DICK CATANACH - MGMT

4 AREAS AGREED TO WORK ON

- 1) VOC REHAB
- 2) MEDICAL COSTS - 30% OF TOTAL PROGRAM COST
- 3) BENEFITS
- 4) COMPENSATION

DRAFT A REHAB SPECIALIST - REHAB PROVIDER

LICENSING BILL - w/ V.C.

1/81

JOHN LEWIS

NO NET AFFECT IN HARD \$ ANTICIPATED
SUBSTANTIAL \$ SAVINGS ANTICIPATED IN SOFT \$

REDUCE LITIGATION IN VOC REHAB \$ DISPUTES IN
MEDICAL ISSUES

1984 COMBINED UNEMPLOYMENT \$ COMP. ALL INCOME \$ 900
NOW COVER \$ 2000

BELT -
P 10 # 6

* EMPLOYER & EMPLOYEE S) DISCUSS MUTUAL IME
FOR GROUPS TO TALK W/IN 10 DAYS
10 DAYS TO TALK - IF NO AGREEMENT, THEN
10 DAYS FOR IME

TO MUCH POWER IN IME

PALLEMBERG

REHAB IS BIGGEST PROB OF SYSTEM

* 1982 REHAB REGS NOT ADOPTED BOARD

MOST PROBS w/ OUT OF STATE PROVIDERS

* 60 DAYS TO ASK FOR REHAB IS TOO SHORT

SUE ROTH

VOC. RENAB. - GET QUALIFICATIONS

X

AGAINST ROTATING ROSTER - NOT FREE ENTERPRISE
CAN'T PRO-RATE EXPENSES ON TRIPS

EMPLOYERS OBLIGATION TO GIVE EMPLOYMENT RENAB

TOM WILTON - ^{WILTON} ADJUSTIVE

NO REDUCTION IN PREMIUMS TO SM COMPANIES

200 + 100 OF THE BILL

SIGN UP & REQUEST ANALYSIS TO BE SENT

SB

322

(FILE 10)

**STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
P. O. BOX D
JUNEAU, ALASKA 99811**

ORDER 86-3

**Re: Revised Workers' Compensation Insurance Rates Effective
January 1, 1987.**

**To: The National Council on Compensation Insurance.
All Insurers Authorized to Write Workers' Compensation
Insurance in the State of Alaska.
All Interested Parties.**

The Hearing Officer for the Director of Insurance does hereby find as follows:

Background.

1. On November 3, 1986, the Division of Insurance received a filing from the National Council on Compensation Insurance (hereafter NCCI) dated October 31, 1986, which was supplemented with additional data on November 11, 1986. The filing proposed a rate change for workers' compensation insurance rates effective on January 1, 1987 for all new and renewal business.
2. NCCI is a national rating organization licensed by the State of Alaska pursuant to AS 21.39.060. It does statistical compilation of data, including premium, payroll, loss and expense data, on behalf of its member and subscriber insurers. It makes rate and policy form filings with the State of Alaska on behalf of its member and subscriber insurers.

3. In view of the significance of the impact of the proposed filing on the Alaska economy, a hearing was deemed necessary to afford the public an opportunity to present its views on the filing and to receive any information that would tend to place in question any of the data or assumptions underlying the proposed filing. Notice was prepared and mailed to all insurers licensed in Alaska and to the Alaska Chapter of the Associated General Contractors. In addition, notice was published in the Anchorage Daily News and in the Alaska Journal of Commerce. The hearing was held at the Federal Building in Anchorage on November 24 & 25, 1986.

The Proposed Filing

4. The overall average increase in statewide premium level resulting from implementation of the proposed filing is an increase of 14.3%. The components of the increase are as follows:

<input type="checkbox"/>	increase due to experience.....	+13.3%
<input type="checkbox"/>	reduction for change in premium tax.....	-00.2%
<input type="checkbox"/>	increase due to change in trending for medical losses.....	+01.7%
<input type="checkbox"/>	reduction to offset previous increase of the workers compensation pool surcharge from 10% to 20% result- ing in a reduced subsidy of pool business by that business in the voluntary market.....	-00.6%

5. The overall average is further broken down into four (4) major industry groupings, each with a different impact from the filing reflecting that groups' contribution to the loss level. Within the groups, individual classifications can move by $\pm 25\%$ from the group overall indication, further reflecting the particular experience of the individual classification. The four groups, the indicated rate change by group, and the range of rate movement for classifications in each group are:

<u>GROUP</u>	<u>IMPACT</u>	<u>RANGE of IMPACT</u>
Manufacturing	+1.8%	+27.0% to -23.0%
Contracting	+20.5%	+46.0% to -4.0%
Oil & Gas	+7.4%	+33.0% to -17.0%
All Other	+13.3%	+39.0% to -11.0%

6. There are a total of 546 classifications used in the NCCI classification manual. Of the 546 classifications, 434 classifications had some payroll for the period used to determine classification relativity in Alaska. Of that 434 classifications, 116 classifications had more than \$10 million of payroll in Alaska. The total numbers of classifications in the manual by industry group are:

GROUP	TOTAL NCCI CLASSES	SOME ALASKA PAYROLL	+10 MILLION ALASKA PAYROLL
Manufacturing	294.	102.	7
Contracting	67.	63.	27
Oil & Gas	11.	11.	7
All Other	174.	158.	75

7. The effect of the change proposal on some classes is significant. This can be seen from the listing of classifications in Attachment #1 in which the impact of this filing is noted. The classifications listed in Attachment #1, each had Alaska payroll in excess of \$10,000,000 during the period beginning April 1, 1981 and ending March 31, 1984.
8. The filing is not unusual in terms of past filings or in the methodology utilized. The filing follows methods that have been used in the past in this state and found to be acceptable in past reviews. It is, in a sense, routine.

History.

9. Since 1974, the Division of Insurance, Market Surveillance Section has closely monitored workers' compensation insurance experience of insurers writing that line of insurance in Alaska. The purpose was to measure competition and to develop an independent base with which to measure the proposals of NCCI. By applying Division of Insurance devised formulas and tests to this base information, which is limited in its sophistication, the Division of Insurance has generally been able to predict rate changes within two or three percent of the actual proposal and to do so about six months before a filing is proposed. Since this approach does lack sophistication and is not accurate to

the degree desirable for ratemaking purposes, the results of these tests have not been widely publicized. One concern is that the tests done by the Division of Insurance should not be available for potential use by insurers as part of the support for rate change proposals.

10. In July 1986, the Alaska Department of Labor released a publication titled "Occupational Injury and Illness Information - Alaska 1984" which contains data of interest to those concerned with the cost level for workers' compensation insurance. The publication notes that Alaska has one of the highest rates in the nation for industrial illness and injury. Not surprisingly, the publication notes a number of highlights which tend to provide some clues concerning why the rating structure is responding in the proposed manner. These include:

- The Alaska Division of Workers' Compensation processed 11,398 time loss claims for 1984, an increase of 5% over 1983.
- The construction industry leads all others in the number of reported time loss cases (2,680) accounting for 23.5% of all cases.
- Craftsmen, laborers, and operatives (excluding transport) are consistently the leading occupational groups for time loss cases, with nearly two-thirds ($\frac{2}{3}$) of all cases.
- Sprains and strains continue to be the leading nature of injury (48.3% of the total).
- The back is historically the most frequently injured part of the body and is involved in one-fourth ($\frac{1}{4}$) of all time loss cases. Strains and sprains are the most common result of back injuries.

Reasons for why Alaska has become an increasingly dangerous place to work as compared to other areas is not fully understood. The publication reports incidence rates of recordable occupational injuries and illnesses by group as follows:

- 9.7 cases per 100 workers in Alaska;
- 43.0 cases per 100 workers in Lumber and Wood Products;
- 25.0 cases per 100 workers in Food and Kindred Products;
- 24.2 cases per 100 workers in Trucking and Warehousing;
- 22.6 cases per 100 workers in Building Materials, Retail;
- 22.0 cases per 100 workers in Oil & Gas Field Services; and,
- 17.7 cases per 100 workers in Building Construction;

11. Utilizing the process noted in § 9, it was noted in June 1986 that there was a likelihood of a significant filing to be effective on January 1, 1987. At that time the Market Surveillance Section concluded that a 21.5% overall premium level increase would be needed and that due to data anomalies the true need was probably closer to 30%. The data anomalies referred to, are the impacts of reserve strengthening attributable to prior years. In effect, we have either overstated the need by more than 7 percent or conversely, NCCI has filed a filing that is insufficient to meet needs by at least 7 percent.
12. During testimony given by NCCI, their actuary admitted that the 20.5% indication for the Contracting group should actually have been 26.6%. The 26.6% indication was tempered with the lower 20.5% indication because of some concern by NCCI that the data producing the higher result, might somehow be a ripple that would drive the rates higher than necessary.

Ratemaking.

13. The ratemaking process is generally a mathematically based exercise that, while very complex, is not mysterious. In 1981, NCCI published a 12 page booklet titled, "Ratemaking...The Pricing of Workers' Compensation Insurance". It would not be practical to recite much of the data contained in that document, though the temptation is great. It is an excellent primer on just what goes into the making of workers' compensation insurance rates, and it is of such value that it accompanies this order as Attachment #2.

Role of Division of Insurance.

14. When the Division of Insurance receives an insurance rate filing from an insurance company or a rating organization such as NCCI, it does so under AS 21.39.040 which provides statutory standing for the filer, review time limitations for the state, and references standards used to determine whether a filing may be approved or disapproved. The standards found in AS 21.39.030 provide that the rates shall not be excessive, shall not be inadequate, and shall not be unfairly

discriminatory. NCCI has not made a substantial departure from its past methodology in this filing, so the methodology is one that has been accepted and tested in the past as well as at this juncture. The documentation supports the contention that the current rate structure is inadequate. In fact the independent data developed by the Division of Insurance suggests that the proposed level itself may not be sufficient to meet expected losses.

15. The standards set forth in the rate law (AS 21.39) do not provide for the application of political or economic considerations when reviewing a rate filing. The law was specifically designed to avoid just that occurrence. Viewing it from these considerations, the proposed filing could not have come at a worse time. The economy is currently devastated by the instability of oil prices and is experiencing an apparent "bust." Politically, there are the usual unknowns experienced when the administration of state government changes. These place pressures on such a filing which while recognized, can not be considered under the law.
16. The Division of Insurance does not influence the benefits available under the Alaska Workers' Compensation Act. Those are established by the legislature and administered by the Alaska Workers' Compensation Board (hereafter Board). The Board generally becomes involved only with the specific request of the claimant, but the Division of Insurance can not. There is one additional party regularly appearing on the scene, again via the claimant, and that is the court system.
17. The Division of Insurance does not deal with individual consumer complaints involving workers' compensation insurance. These are all referred to the Board. The Division of Insurance can deal with trade practices when a series of abuses become known to the Division. To this end there is a cooperative effort currently under way between the Division of Workers' Compensation in the Department of Labor (administrative arm of the Board) and the Division of Insurance.
18. When the Legislature addresses an issue relating to workers' compensation insurance, the role of the Division of Insurance is to attempt, through NCCI, to determine the price impact of the proposed legislation. The Division of Insurance does not and should not take an

advocacy posture as respects changes to the benefit structure in the Alaska Workers' Compensation Act.

19. The Division of Insurance does have a strong role in the efficiency of operation of the rating systems utilized by insurers writing workers' compensation insurance. It has a strong interest in factors that affect the data base from which rates are derived. It is concerned with issues that can influence the accuracy of the data base underlying the rate structure. Because of these interests and concerns, the Division of Insurance wants to:

- assure the proper reporting and gathering of payroll data;
- assure the proper and equitable application of the filed classification system; and,
- assure the proper conduct of persons writing coverage for an employers workers' compensation liability.

Public Frustration with System

20. During the public hearing held as noted in § 3, witnesses testified to some of the frustrations experienced. In many cases, the Division of Insurance does not have jurisdiction to address the kind of problem described. Numerous issues were discussed in the hearing and more in correspondence and in telephonic communications. Many times, the extent of recognition of these problems is the stereotypical comment, "it's not my job." While to a great extent that may be true of the issues witnesses have brought to us in this hearing, we would prefer to at least describe the issues for the benefit of those who may be in a position to address them or to dismiss them.
21. Workers' Compensation Insurance costs are often a very large part of employer cost. When a problem arises, it is often difficult for an employer to identify a source of assistance. Sometimes the Division of Insurance can help, sometimes the Division of Workers' Compensation can help, but all too often the assistance sought is beyond the capabilities or jurisdiction of either agency. This fosters a sense of frustration in the employer. Examples are:
- trying to determine whether an individual is an independent

- contractor or will be held to be an employee;
□ trying to have something done about a claimant who is known to the employer to be malingering or abusing the system; etc.
22. Contractors are stuck in a particularly difficult situation because they often bid work to be done in a period for which the workers' compensation insurance rate is not yet known. If there is a dramatic unanticipated change in the rate, the impact can be destructive. Other industries are similarly affected but none so broadly as contracting. In the current proposal, some contracting rates are proposed to rise as much as 46.0%.
 23. Fraud does occur in this kind of insurance and is one of the things that tend to frustrate employers who see the system abused, but prosecution of the cases is difficult to stimulate. The Division of Insurance has completed investigation on four cases that are currently awaiting prosecution, and according to the Division's Investigator, the total amount that is alleged to have been improperly acquired is about \$380,000. Vigorous prosecution and publication of such fraud cases should help to act as a deterrent to such activity.
 24. Testimony from several witnesses addressed the disparity between rates charged in Alaska and in other jurisdictions. They face competition from persons in those jurisdictions who either do not elect to comply with Alaska law or believe incorrectly that their existing policy will extend to provide Alaska benefits. The advantage that this can give to the noncomplying contractor can be profound.
 25. Those operators who operate with injury incident rates far below their peers are to a great extent subsidizing those operators who for whatever reasons have the losses. That, of course, is part of the principle of insurance, the spreading of the losses of the few amongst the many. When a kind of insurance is as expensive as is workers' compensation insurance has come to be in Alaska, the usual explanation of the "principles of insurance" or "the law of large numbers" merely adds fuel to the fire no matter how true. The question has been posed, why does the state continue to allow the bad operator to continue to hurt people and continue to dig into other employers' pockets. To a small degree, insurer selection or underwriting tends to force such employers into the assigned risk

plan, but that market too is subsidized by all other employers. The current level of subsidy is about 13%.

26. The most persistent complaint from contractors is that it is imperative that they be given adequate notice of the changes. The definition of adequate notice was on the order of 6 to 12 months. The fact is, that there has never been more notice of a change than in the current instance. Notice was posted in early November. Typically the rates in the past have changed with less than 30 days notice. The change applies to new policies and to existing policies only when they renew which could be as late as December 31, 1987.

The Division of Insurance has also advised the NCCI that future filings would likewise require a minimum of 60 days of lead time rather than rely on the 15 days stated in the statute for review

27. A common thread throughout the testimony was that since the Alaska contractor has to tighten his belt the insurance companies should do likewise. However, the workers compensation insurance line is one that has given insurers particular grief in this state over the years and experience in recent years has been dismal. Alaska is currently being subsidized by the results of other lines and that does not attract new carriers in the marketplace or encourage those already there to continue previous levels of activity. One support for to this comment is the increase in pool writings by over 300% in one year. This view tends to look upon insurers as the cause or the "illness" when in fact it is merely the symptom or reflection of the underlying problem.
28. When a rate increase such as this goes into effect, it applies to new and renewal business as has already been noted. This fact itself offers both pain for some and relief for others depending on when the particular employers' policy expires and whether the change is an increase or a decrease. It impacts the cost effectiveness of an employer depending at what point he is bidding a job and whether his workers' compensation insurance costs for the period bid are known when bidding. The cure for that may be worse than the "illness" it intends to cure. One solution would be to have the rates all change at the same time. In other words a rate change would apply to in-force policies. This would be cumbersome. It would probably require a law

change. Part of the solution might be to have all policies expire on the same date. That too would require legislation.

29. A portion of the testimony leveled criticism at the Board and at the courts for its "liberal" view of the Act. Many felt that the system is out of balance and is too one-sided favoring the claimant.
30. A substantial portion of the loss dollar is directly attributable to medical care. There has been some concern over the sometimes experienced reluctance by physicians to issue return to work notices. The reluctance is due in part to fear that the action may generate a charge of malpractice thus intensifying an already difficult situation for the physician. In other cases, the expression "ambulance chaser" has been used with some charity.
31. One witness asserted that the enforcement efforts of the Division of Workers' Compensation concerning compliance with the Act are inadequate, contending that that effort ought to be at least tripled.
32. The legal expense component of the workers' compensation insurance premium has grown over the years beyond the level anticipated. Claimants are growing increasingly litigious in a system that is intended to be no-fault. Why this is felt to be necessary, should be examined before it gets out of hand.
33. Several witnesses felt that the rehabilitation system is cumbersome, ineffectual and very expensive.

Conclusions

34. Most of the testimony brought to the Division of Insurance was not to the point of things that could be considered. While the participants to the hearing were uniform as to the effect of the proposal, none were able to offer reasonable refutation of the underlying premise supporting the filing, namely that the increase is necessary to meet expected losses arising from workers' compensation insurance liability in this state.
35. There were repeated requests for delay but nothing on which to

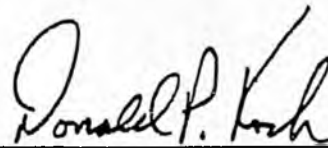
support the granting of such a request, that meshes with the standards that the Division of Insurance must use to test the propriety of the proposal; the tests being that the rates shall not be inadequate and the rates shall not be excessive. It is recognized that the proposal will not bode well for those impacted with substantial upward increases.

36. Arguments were made concerning the classification system of the NCCI, labeling it as arbitrary. The system is a key element to the insurance system in this state, and in most other states. It is not perfect but it is responsive. It has been under close scrutiny by the Alaska Division of Insurance since the issue of Order 76-1 on February 17, 1976. There is a good deal of fine tuning going on and Alaska has had a hand in that process. These arguments are rejected as uninformed and unsupported. In 1982, NCCI published a 12 page booklet titled, "**Classification is Fundamental to Workers' Compensation Insurance.**" Again, this publication does a much better job of explaining the classification system, its reasons for existence, and its underlying logic, than this hearing officer can produce. For this reason, it accompanies this order as Attachment #3.
37. Rates filed by the NCCI should be as nearly reflective of needed premium levels as possible. The review of the filing done by the Division of Insurance and the separate review of indications support the filing as made.

The Hearing Officer for the Director of Insurance does Hereby Recommend Adoption of the Following Order:

- A. The rates promulgated by NCCI to be effective on January 1, 1987 are not excessive and for that reason are approved.
- B. A copy of this order is to be sent to the Governor of the State of Alaska, to the Alaska Workers' Compensation Board, to the legislative oversight committees for issues relating to workers' compensation (the Labor and Commerce Committees of the House and the Senate), to the National Council on Compensation Insurance, and to other interested parties.

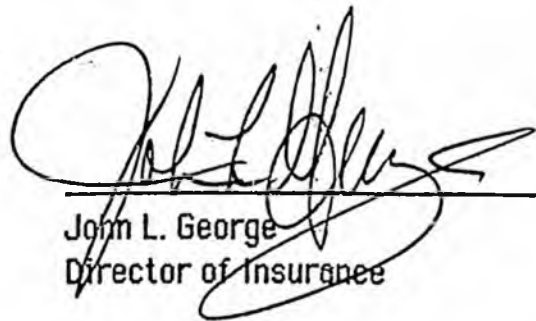
Done this 16th day of December, 1986.



Donald P. Koch
Hearing Officer

The Director of Insurance Hereby adopts the order of the Hearing Officer and approves the October 31, 1986 filing of the NCCI for workers' compensation insurance rates effective on January 1, 1987.

Done this 16th day of December, 1986.



John L. George
Director of Insurance

ATTACHMENT #1

IMPACT OF RATE FILING ON SPECIFIED CLASSIFICATIONS

7422 Aircraft-Air Taxi-Flying Crew	+16.0%	7540 Elec Light & Power Co-ops Rural	+16.4%
7431 Aircraft-Commuter-Flying Crew	-11.0%	7538 Elec Light or Power Line Constr	+27.6%
7414 Aircraft-Ground Crew	+3.6%	9519 Electrical Appliance Install, Rpr	+14.5%
7405 Aircraft-Scheduled-Flying Crew	-11.0%	5190 Electrical Wiring in Buildings	+37.6%
7421 Aircraft-Trans. of Employees	-11.0%	8610 Engineers or Architects Consulting	-7.1%
7605 Alarm Systems Install & Repair	+31.2%	6217 Excavation NOC	+26.8%
4511 Analytical Chemists	+33.2%	7704 Firemen	+5.6%
8820 Attorney	-10.6%	8044 Furniture Stores	+6.0%
8387 Auto Accessories Service Station	+8.1%	9403 Garbage Collectors	+9.2%
8393 Auto Body Repairing	+24.7%	6319 Gas Mains or Connections Const.	-3.9%
8391 Auto Garages and Repair Shops	+36.6%	8350 Gasoline or Oil Dealers	+39.0%
8748 Automobile Salesmen	-1.8%	8607 Geophysical Exploration NOC	+35.4%
2003 Bakeries	+26.7%	8606 Geophysical Exploration Seismic	+37.1%
9586 Barber Shops, Beauty Parlors	+5.7%	8010 Hardware Stores	+39.0%
7390 Beer or Ale Dealers	+39.0%	9040 Hospital, All Other	+37.7%
9014 Buildings, Oper. by Contrr	+13.5%	8833 Hospital, Professional	+13.7%
9015 Buildings, Oper. by Ownr/Lessee	+34.4%	9052 Hotels	+14.3%
7382 Bus or Taxicab Companies	+38.9%	9058 Hotels-Restaurant Employees	+23.9%
5385 Bus or Taxicab Garage	+9.2%	5479 Insulation Work	+30.3%
2111 Canneries	+25.4%	5057 Iron or Steel Erection NOC	+42.5%
5645 Carpentry Const-Private Resid.	+44.8%	8013 Jewelry Stores	+5.6%
5651 Carpentry Const-Priv. Res. 3 Stor.	+4.0%	8755 Labor Unions	-5.7%
5403 Carpentry NOC	+7.3%	2702 Logging	+11.0%
2803 Carpentry Shop Only	+27.0%	8232 Lumber Yards, All Othr Employees	+39.0%
8810 Clerical Office Employees	-10.6%	8058 Lumber Yards, Store Employees	+24.4%
8008 Clothing or Dry Goods Stores	+0.7%	3632 Machine Shops	+27.0%
9061 Clubs NOC	+14.2%	8107 Machinery Dirs NOC Store/Yard	+23.4%
1005 Coal Mining Surface	-9.8%	5022 Masonry NOC	+12.8%
9101 Colleges, Schools-All Other	+11.5%	3724 Millwright	+45.9%
8868 Colleges, Schools-Professional	0.0%	1165 Mining NOC Surface	+0.7%
9078 Commissary	+38.9%	9410 Municipal or State Employees	+36.2%
5213 Concrete Construction NOC	+37.1%	7502 Natural Gas Companies	+38.8%
5221 Concrete Flrs, Drivwys, Sidwks	+16.8%	4304 Newspaper Publishing	+11.2%
6325 Conduit Construction	+4.6%	8829 Nursing Homes	+38.9%
5606 Contractors Executive Supvsrs	+22.7%	5191 Office Machine/Appliance Install	+15.8%
8227 Contractors Permanent Yard	-4.0%	1320 Oil or Gas Lease Operators	-5.3%
8039 Department Stores Retail	+11.0%	6216 Oil or Gas Lease Work by Contr	+33.0%
6204 Drilling NOC	+9.9%	6233 Oil or Gas Pipeline Construction	+19.5%
7380 Drivers, Chauffeurs & Helpers	+38.8%	7515 Oil or Gas Pipeline Operation	-4.8%
7539 Electric Light & Power Co NOC	+7.4%	6206 Oil or Gas Well Cementing	+6.9%

6235 Oil or Gas Wells Drilling/Redrilling	-6.1%	8292 Storage Warehouses, Genl Merch	-11.0%
6237 Oil or Gas Wells Logging/Survey	+33.0%	8017 Store Risks NOC Retail	+3.5%
3719 Oil Still Erection or Repair	+7.3%	8018 Store Risks Wholesale	+8.0%
5474 Painting or Paper Hanging NOC	+13.9%	8033 Stores Meat Comb Grocery Rtl	+15.7%
4371 Photographers	+13.8%	9402 Street Cleaning	+13.3%
8833 Physicians	+4.2%	5507 Street or Road Construction	-4.0%
5183 Plumbing NOC	+21.6%	5506 Street or Road Construction	-4.0%
7720 Policemen	+4.9%	7600 Telephone & Telegraph Cos.	+29.1%
4299 Printing	+21.3%	8901 Telephone & Telegraph, Off Empl	+33.3%
8835 Public Health Nursing Assns	+0.7%	8803 Traveling Auditors, Accountants	+13.8%
7610 Radio & Television Stations	+38.8%	7219 Truckmen NOC	+1.8%
9079 Restaurants	+25.6%	7222 Truckmen Oil Field Equipment	+1.8%
5551 Roofing All Kinds	+46.0%	5445 Wallboard Installation in Bldgs	+41.6%
8742 Salesmen, Outside Messengers	+1.1%	7520 Water Works Operation	+4.0%
4000 Sand or Gravel Digging	-7.9%	3365 Welding or Cutting NOC	+17.7%
2104 Seafood Processors	-12.0%	9063 YMCA, YWCA	+9.4%
6306 Sewer Construction	+14.4%		
7580 Sewerage Disposal Plants Oper	+3.0%		
5538 Sheet Metal Work Erection NOC	+46.0%		
8293 Storage Warehouses, Furniture	+19.1%		

ATTACHMENT #2

"RATEMAKING...THE PRICING OF WORKERS' COMPENSATION INSURANCE"

Booklet published by the National Council on Compensation Insurance.

Copyright 1981.

12 pages.

National
Council on
Compensation
Insurance

Ratemaking:
The Pricing of
Workers' Compensation
Insurance



Preface

The objective of this booklet is to give a description of how workers' compensation insurance rates are determined. The ratemaking process—the pricing of workers' compensation coverage—is a technical function and, as such, has traditionally been the domain of specialized technicians called actuaries. Unfortunately, this has too often resulted in rate determination being regarded as mysterious, even within the insurance community itself. While ratemaking is complex, it is not mysterious. Rates are mathematically-based, producing an objective pricing system which is demonstrably sound and fair. As such, removing any mystique can play an important role in alleviating confusion and skepticism, thus improving the conception of workers' compensation insurance.

The material contained herein is not intended to popularize actuarial science. It reveals no profound secrets nor will it magically transform its readers into actuaries. The goal is simply to make the basic ideas utilized in pricing workers' compensation coverage more familiar and understandable. Towards that end, the emphasis is placed on concepts rather than on mathematical formulas. Once the basic ideas are understood, the merits of the methodology speak for themselves.

TABLE OF CONTENTS

1	Preface
2	What Is Workers' Compensation?
3	Who Benefits? Who Pays? What Does The Price Cover? Workers' Compensation—A Pre-Funded System
4	Risk Vs. Reward What Is Meant By The Phrase, "Premium Level"? The Ratemaker's Dilemma What Data Are Available?
5	Data Validation Financial Data Policy Year Data
6	Calendar Year Data Calendar/Accident Year Data Adjustments To Data
7	The Test For Premium Level Adequacy Conceptual Approach
8	Quantitative Approach Policy Year Cost Ratio Calendar Year Cost Ratio The Average Cost Ratio Target Cost Ratio Necessary Rate Level
9	Trend Factors Updating For Changes In Statutory Benefits
10	Distribution Of Overall Rate Level Change To Individual Classifications The "Manual Premium"—A Starting Point
11	Experience Rating Plan Premium Discounts
12	Retrospective Rating Summary



Ratemaking... The Pricing of Workers' Compensation Insurance

What Is Workers' Compensation?

With the advent of the Industrial Revolution came a growing realization that the price for increased overall living comfort was being paid, in part, by the suffering of workers. Not only did the workplace become more distinctly removed from the home, but factories and mass employment introduced into the work environment a myriad of unforeseen dangers. In the late nineteenth century, courts began to make employers responsible for such injuries, giving rise to the need for employers' liability insurance. Because the worker had to sue to recover, and legal defenses were available to employers, the need was recognized for laws to protect workers as a result of injuries incurred in the course of their jobs. Beginning in 1911 with Wisconsin, other states rapidly adopted workmen's (now workers') compensation laws which automatically assured the injured worker partial indemnification without the need to prove fault. On-the-job injuries were recognized as part of the cost of producing goods and services, and workers' compensation insurance fairly allocates this cost to employers.

What Is Workers' Compensation Coverage?

1. Compensates for loss from work-related injury
2. Benefits are specified by state laws
3. Coverage is mandated by law

Today, all states have workers' compensation laws providing for complete medical expenses and a weekly indemnity (loss of earnings) benefit for the injured worker. The coverage now extends to almost all types of employment, to employers with one or more workers, and includes coverage for both injury and occupational disease. By law, employers must provide the benefits to their workers, and in most cases, this is done through the purchase of a workers' compensation policy under which the insurance carrier assumes the complete liability of the employer.

Who Benefits?

Although, from an historical perspective, the introduction of workers' compensation benefits is a landmark in the social and economic progress of laborers, it is incorrect to regard this benefit system as being "one sided." This program is designed to protect the interests of both the worker and the employer. On the one hand, it assures that payment is made to injured workers without regard to who or what may have been at fault in causing the injury. On the other hand, in exchange for the security of guaranteed compensation, the worker relinquishes his right to file a damage suit against his employer in return for the benefits provided for in the statute. In making workers' compensation benefits the exclusive remedy, employers are provided a protection without which even sizable corporations would find doing business hazardous, and the owners of small businesses could be subjected to potential personal financial ruin from a single claim. The employer benefits by the substitution of a relatively small, known expense (premium) for the cost of the large, unbudgeted accident.

Finally, because the relative price charged is based upon the nature of the employer's business, each industry pays in relation to the likelihood of injury. This provides an incentive for work safety and accident prevention, with society, in general, enjoying a safer work environment.

Who Pays?

The burden of funding the benefit system is placed on the business community through the insurance mechanism which charges employers an annual premium for this coverage. This appears fair, since employers are, in large part, responsible for the safety of their workers in plants and offices. One important consequence from this perspective is that this burden of premium enables the pricing methodology to introduce the element of accountability, thereby promoting job safety in an effort to reduce job-related injuries. A firm's payroll is an excellent measure of the occurrence of job-related injury.* Accordingly, an employer's annual payroll, in \$100 units, is multiplied by a price or "manual rate" to determine his annual premium contribution to fund the benefit system. Where appropriate, the premium is adjusted or modified to reflect the occurrence of injuries in the applicable work activity and the individual employer's safety record.

What Does The Price Cover?

Generally speaking, the price of any product must be sufficient to cover the cost of producing the item and the cost of delivering the product to the marketplace. Workers' compensation insurance is no different in this respect. The product to be delivered is dollars. It is dollars in the form of weekly benefits paid directly to the injured worker, and dollars in the form of payment to doctors, hospitals, and others for medical and rehabilitative services provided to the injured worker. These dollars represent the product costs to the insurance carrier.

Insurance, like any other enterprise, has certain costs of doing business. These costs are necessary to operate the benefit system. They encompass items such as expenses incurred in obtaining business, including commissions to producers; the

Business Overhead = Expense Allowance

1. Acquisition
2. General
3. Premium Taxes
4. Claims Adjustment
5. Contingency and Profit

overhead or operating costs of an insurance company (e.g., rent, lighting, salaries, etc.); taxes (other than income); expenses incurred in the settlement of claims; and a provision for profit and contingencies.

Therefore, the rates for workers' compensation coverage must:

1. Provide sufficient funds for benefits, and
2. Provide sufficient funds to operate the system which will deliver these benefits.

A key question, therefore, becomes: What constitutes "sufficient" funds? To answer this, one must understand the nature of the funding mechanism itself.

Workers' Compensation— A Pre-Funded System

The workers' compensation benefit system is pre-funded. This means that the premiums from policies written during a given year are intended to meet all future claim payments made under these policies. This is in direct contrast to programs such as Social Security which use a "pay-as-you-go" funding mechanism. Pre-funding is designed to provide the maximum security to workers so that benefits never will be prematurely terminated or reduced.

The notion of pre-funding and its implications on costs are difficult to convey to policyholders and to the public. The price paid for typical store produce reflects production and delivery costs at the time of purchase: It would be ludicrous for a grocer to demand an additional 10¢ per pound today for bananas sold last year. When dealing with a product such as workers' compensation insurance, it is difficult for the consumer-policyholder to appreciate that the current cost for coverage must suffice to pay all that year's claims, regardless of how far into the future benefit payments on these claims continue.

If the rates charged in the past were inadequate, as has been true, unfortunately, in recent years, there can be no going back to policyholders to recoup the shortfall. Nor can that loss be passed along to the next "generation" of policyholders. If it is lost, it is lost forever. By the same token, if there is more than enough premium, profits are not returned.

*A complete discussion of the use of payroll as the basis of premium can be found in a booklet, "The Basis of Premium For Workers' Compensation Insurance," published by the NCCI.

Risk Vs. Reward

Since there is no guarantee that premium collected will suffice to meet benefit claims and operating costs with no opportunity for recoupment, it follows that a very real risk is involved in the writing of workers' compensation insurance. Insurance is a business and, certainly, no business enterprise will knowingly assume a risk without an incentive to do so. Accordingly, it is necessary that the price for coverage provide such incentive. The price or rate envisions, as mentioned above, a profit and contingency provision (2.5% of premium) which is designed to provide a buffer to financial loss in the event of inadequate rates. The profit and contingency provision incorporated in the pricing of this line of insurance is very low and in and of itself does not present a reward nearly commensurate with the risk assumed. Use of this provision recognizes the fact that, consistent with the pre-funded nature of the system, premiums are paid "up front" while benefit payments are made over a period of years, thereby giving the carrier an interest-earning opportunity. It is this investment earning potential which provides the true incentive for writing this insurance and provides the reward for assuming the risk.

What Is Meant By The Phrase, "Premium Level"?

After describing how the benefits and expense costs are to be funded, the next question which arises is: Does the current price charged in the state under review provide sufficient funds to cover future benefits and expenses? As was mentioned, the book price, or manual rate, is the cost of workers' compensation insurance per \$100 of payroll. Actually, a single price for a state does not exist but, rather, there is a specific price or rate for each of approximately 600 work classifications, with each class representing a specific type of activity.

For a given insured, multiplying his payroll by the current rate for his classification will produce a premium figure. The accumulation of premium for all insureds produces a total statewide premium at the current rate level. This premium figure is referred to as the state "level of premium" or "premium level."

The question which the ratemaker must address, therefore, becomes: Does the current premium level provide sufficient funds for future benefits and expenses?

The Ratemaker's Dilemma

In addressing this question, it is important to realize that when pricing in the context of a pre-funded system, one must project benefit and expense costs in advance.

Consider the following example, keeping in mind that it is customary to set rates to be applicable for one year into the future. In April of 1982, a ratemaker may be asked to update rates for use in 1983. Well before the beginning of 1983, the ratemaker is required to address the question of what is the proper premium level for 1983. This answer must be based upon a knowledge of the number of dollars which will be needed to pay benefits and expense costs for policies issued during 1983. When will the total amount needed be known? Certainly, all claims incurred under 1983 policies must be closed before the *exact* amount can be determined. When, then, will all such claims be closed? Due to the nature of workers' compensation insurance, some claims may not be closed for many, many years.* The ratemaker faces a difficult problem. He must decide in 1982 how many dollars will be needed for claims covered by policies written in 1983, despite the fact that the actual value of some of these claims will not be known for a number of years.

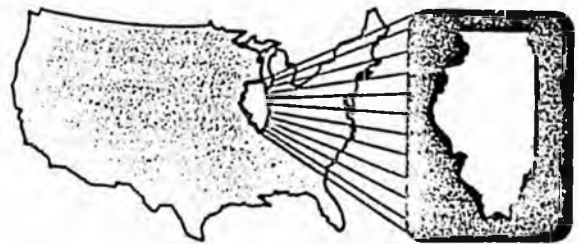
Obviously, he cannot wait to know precisely how many dollars will be necessary for 1983 claims. The ratemaker must, during 1982, estimate the value of these claims. In doing so, he makes it possible to decide upon the proper premium level for 1983.

It is fundamental that in order to make such an estimate, data from the most recent past must be used as the best indicator of what is expected for the period during which the rates will be in effect.

What Data Are Available?

To begin the ratemaking process, data from the recent past must be collected. The National Council on Compensation Insurance (NCCI) is the licensed statistical agent for workers' compensation in most states. The NCCI collects data periodically from its member insurance companies. For each individual state, the data submitted take two forms: Financial Data and Unit Statistical Plan Data.

Types of New Data



1. Statewide Financial Data—to determine what state average price level change is needed.

2. "Unit Plan" or Policy-by-Policy Data—to determine how the average price change should be distributed.

*Workers' compensation coverage, in some instances, provides lifetime benefits for individuals permanently and totally incapacitated as a result of an industrial accident.

A state's financial data are used to determine the required overall change in the statewide premium level. This type of information is sent to the NCCI in response to periodic data requests. Similar information of a financial nature is sent to the State Insurance Departments as part of the Annual Statement and Insurance Expense Exhibit. These are sworn company documents, which must be filed annually, according to regulation. Financial reports include the carrier's overall premium and benefit cost experience, reported separately for each state.

On the other hand, the Unit Statistical Plan (USP) figures are detailed policy information. In fact, a USP report is required for each policy written. It includes individual employer payrolls, premiums, and details of all compensation claims. The information obtained from the USP plays no part in determining whether the overall level of premium in the state is too high or too low. Rather, once the financial data have been utilized to make this determination, the highly-detailed USP data are used to apportion the average price change among the various work classifications. The data are also used in adjusting the price of coverage for larger, qualifying employers by means of a mandatory experience rating program.

Data Validation

Data are the lifeblood of any ratemaking process. NCCI, therefore, expends a considerable amount of effort making certain that the data it uses are accurate. The checks involved in validation must be completed before any conclusions are drawn from the data.

While the details of the validation routines are beyond the scope of this booklet, it may be interesting to simply describe the dimensions of the validation effort. The NCCI is licensed in 32 jurisdictions, and has approximately 600 member companies writing approximately 1,300,000 policies annually. Since each member is required to submit many reports for each state in which it does business, it is easy to see that the number of reports which must be reviewed is enormous. The NCCI employs approximately 100 individuals to review data submissions for quality.

While computers must be used to assist in this review and validation, every step is under the watchful eye of trained technicians and actuaries, who check the data to certify its validity. Anomalies are questioned and returned to the carriers for correction, if necessary.

Financial Data

Returning to the need for determining whether the current premium level is proper, recall that it is the financial data which are relied upon to evaluate the propriety of the current premium level. It must be emphasized that when a premium level analysis is performed for a state, the only data used are that state's own premium income and claim cost experience. There are several types of financial data, including policy year, calendar year, and calendar/accident year.

Policy Year Data

As can be inferred from the name, policy year data are organized according to the date upon which the policy becomes effective. For example, policy year 1980 refers to premium and benefit claim costs from all policies whose coverage began during 1980. Depicted below are the terms for several such policies, each providing standard, one-year coverage. The distinguishing characteristic is simply that the date when coverage begins falls in 1980.

Policy Year 1980

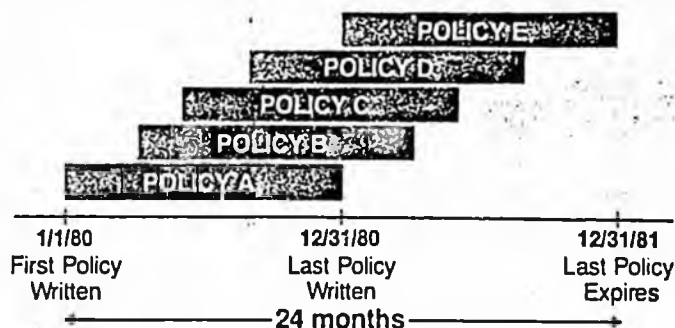
Sampling of policies from Policy Year 1980

Policy	Coverage Begins	Coverage Ends
A (first)	1/1/80	1/1/81
B	3/7/80	3/7/81
C	5/1/80	5/1/81
D	8/12/80	8/12/81
E (last)	12/31/80	12/31/81

This coverage can be represented in a more pictorial way.

Policy Year 1980

Time span for Policy Year 1980 experience



Policy year 1980 illustrates that experience in a single policy year actually takes place over a 24-month time span, and that the final policy included in policy year 1980 does not terminate until the end of 1981. It follows that for a ratemaker performing an update during 1982, 1980 is the latest policy year available.

Policy year data are analogous to considering the income and outgo of funds on items manufactured during a single fixed year, regardless of when the items are sold. Policy year 1980, therefore, encompasses the input from all premiums and the outgo from all benefits resulting from policies becoming effective during 1980.

Calendar Year Data

Calendar year data reflect another way of organizing information. It is done by organizing financial transactions according to the date on which they took place. Calendar year experience most nearly resembles the data one is accustomed to seeing in the financial reports of all types of businesses, whether or not they are related to insurance. Calendar year 1981 refers to premium and benefit claim costs from all financial transactions which occurred during 1981. Calendar year 1981 is available at year's end and is the most current information available during early 1982.

Calendar Year 1981

Time span for Calendar Year 1981 experience



1/1/81
First
Transaction
Occurs

12/31/81
Last
Transaction
Occurs

For a business enterprise, calendar year data are analogous to considering the income and outgo of funds which occurred during a fixed year, regardless of when the items sold were manufactured. Actuaries are interested in calendar year results because they provide a meaningful report on the company's economic gains or losses for the year in much the same way as would an annual income statement prepared by an accountant.

Calendar/Accident Year Data

Calendar/accident year refers to a third way of organizing financial data. The term "calendar" pertains to premiums being organized according to transaction date. The term "accident" pertains to benefit claim costs being organized according to the date on which the accident took place. For example, calendar/accident year 1981 refers, on the premium side, to 1981 calendar year premium, while the benefit claim costs would encompass claims from all accidents occurring during 1981.

Calendar/accident year data are not currently utilized in the pricing of workers' compensation insurance. Investigation is now underway to determine how this data might best be utilized. Currently, the financial data used in the overall premium level determination are policy year and calendar year.

Since policy year data match premiums and benefits from an identified collection of policies, it provides a very stable and natural base upon which to structure a premium level analysis. As is evident from the preceding narrative, however, the experience from a policy year spans a 24-month period. Calendar year data, on the other hand, encompass all transactions of the past year and, therefore, become available as of year's end. The use of calendar year data, therefore, enables the ratemaker to incorporate more recent information into the premium level analysis and thereby increases responsiveness of the pricing mechanism.

Adjustments To Data

1980 policy year data and 1981 calendar year data have been described. These are historical accountings. They can reveal whether or not a proper rate level was used for a particular period in the past and, if not, what the rate level should have been. These data, however, *cannot* reveal what the proper rate level should be for a *future* period unless certain adjustments are made.

Adjustments to Policy Year Data

Premium:

1. Effect of recent price changes
2. Additional premium development (e.g., from late audits)

Benefit Costs:

1. Recent statutory benefit changes
2. Additional benefit cost development

Taking policy year 1980, for example, the premium must be adjusted for two conditions. First, premium must be adjusted for the effect of any rate changes in the state under review, which have already taken place on or after January 1, 1980, the date when the first policy from policy year 1980 went into effect. The purpose of this adjustment is to determine what the premiums would have been if all the premiums had been earned under the latest approved prices which are, after all, the ones under analysis and the ones which are being updated. Actuaries call this "adjusting premium to current rate level."

The second adjustment is made to reflect what is called premium development. As mentioned earlier, the first step in determining how much premium an employer pays is to multiply the manual rate, or price, times the payroll in units of \$100. Of course, the final payroll earned under the policy often is not known until after the policy expires and is audited. The difference between the estimated premium and the premium based upon final audit is the major contributor to premium development. By tracking the premium movement in a state for earlier policy years, an estimate can be made of how much the preliminary report of the most recent policy year's premium will change when the final results are known.

Likewise, policy year 1980's benefit claim costs must also be adjusted in two ways. First, they must be adjusted to reflect the cost impact of statutory benefit changes which have become law subsequent to the start of the policy year. This is called "adjusting benefits to current law level."

Second, benefit costs, like premium, must also be adjusted by a development factor. This is best understood through an explanation of the components of benefit costs.

Policy year 1980's incurred benefit claim costs are the sum of what has been paid to date under claims arising from policies beginning in 1980, plus what the insurers still owe or still have to pay under those policies. The amount insurers still owe to injured workers is often called the "amount outstanding" or the "amount reserved." These terms are used interchangeably. Therefore, the incurred benefit costs can be expressed in any of the following three ways:

Incurred Benefit Costs = Amount Paid + Amount Still Owed
 Incurred Benefit Costs = Amount Paid + Amount Outstanding
 Incurred Benefit Costs = Amount Paid + Amount Reserved

Thus, loss reserves in the insurance business are analogous to accounts payable in other types of business. Of course, when the reserve is for lifetime weekly benefits or for future medical expenses, it is obvious that there must be some uncertainty regarding precisely how much money ultimately will be paid on any particular claim. Companies, using accepted actuarial principles, make their best estimate of how much should be set aside for future payments on cases which are still open. Of course, once every claim has been closed, then all of the incurred benefit costs are paid, and the outstanding costs, or reserves, for the policy year are zero. By tracking the difference between the first estimates of incurred benefit costs and final benefit costs for older policy years in a state, a "development factor" can be determined. This development factor adjusts benefit costs from those initially reported to their ultimate value according to the most recent pattern of how benefit costs have matured over time. This factor is applied to the latest policy year's incurred costs.

It should be emphasized that this illustration uses data which have already been actuarially adjusted—the premium expected to be collected is based upon the *current* rate level, and the benefits expected to be incurred are based upon the *current* benefit level.

As illustrated below, the premium expected to be collected at the current rate level is larger than the costs expected to be incurred under current benefit provisions. In this example, since the current price of workers' compensation insurance generates funds more than sufficient to provide for benefits and expenses, the conclusion is that the current price is too high—a rate decrease is warranted. (A)

Adjustments in Calendar Year Data

Premium:
Effect of recent price changes

Benefit Costs:
Recent statutory benefit changes

Calendar year premiums and benefit costs are also adjusted to reflect the latest rate level and benefit level, respectively. Unlike policy year data, calendar year data, by definition, reflect a specific collection of closed financial transactions and, therefore, do not require the adjustment known as "development."

Having obtained both premium and benefit costs which reflect the current conditions, a test is performed to see how well the current prices are functioning and to determine, on an overall basis, what changes, if any, are needed.

The Test For Premium Level Adequacy

Now, two approaches to testing the current rate level for adequacy are presented. The first conceptually shows the intent in performing this test. The second is quantitative and works through a derivation of the necessary change in premium level.

Conceptual Approach

Conceptually, the test of adequacy may be viewed as placing income and outgo on a scale to see if the two are "in balance." This may be expressed in the illustration below, which depicts the process which yields the desired situation in which a proper rate level has been achieved.

Test for Premium Level Adequacy

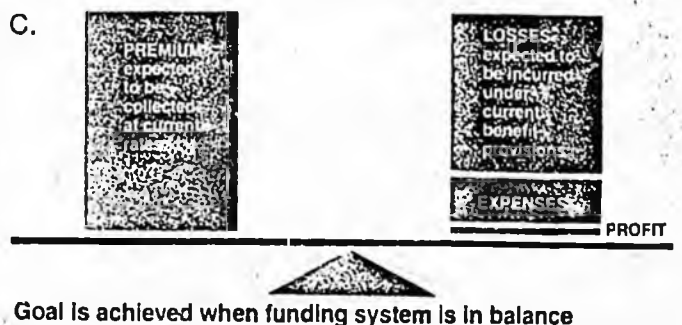


Current rates too high—Premium level decrease is indicated Or, ... the picture may look like:



Current rates too low—Premium level increase is indicated

An overall proposed Premium level change is determined so as to produce the following picture:



On the other hand, the premium level analysis may produce a picture illustrated above which displays a situation calling for a rate increase—the premium expected to be collected at the current rate level is insufficient to fund the benefit system. (B)

In each situation, the price is not proper. A price is sought which will provide just enough premium dollars to finance the benefits and the expenses. Therefore, each situation leads to a required change in the price to achieve the balanced picture depicted above. (C)

Quantitative Approach

Now that the objective has been conceptually visualized, a hypothesized situation will be used to quantitatively determine a rate level change.

The first step in this calculation is the computation of a policy year and a calendar year "loss ratio." A "loss ratio" or "cost ratio" is simply the adjusted benefits divided by the adjusted premium and represents that portion, or percentage, of the premium dollar which is needed to finance benefit costs.

Policy Year Cost Ratio

After the actuarial adjustments referred to earlier have been applied to policy year 1980 premium and benefit figures, the policy year cost ratio is computed. For simplicity, refer to the following hypothetical example.

Assume: Policy Year 1980's Adjusted Benefits = \$82,000,000
 Policy Year 1980's Adjusted Premiums = \$100,000,000
 Then: Policy Year 1980's Cost Ratio = .82 or 82%
 (\$82,000,000/\$100,000,000)

This 82% cost ratio can be interpreted in the following manner: Based upon policy year 1980's experience, actuarially adjusted to be reflective of current conditions, \$82 of benefits can be expected to be incurred for each \$100 of premium.

Calendar Year Cost Ratio

As with policy year data, calendar year experience is actuarially adjusted to current conditions. A comparison of adjusted benefits to premiums will then produce a cost ratio for calendar year 1981. For example:

Assume: Calendar Year 1981's Adjusted Benefits = \$80,000,000
 Calendar Year 1981's Adjusted Premiums = \$100,000,000
 Then: Calendar Year 1981's Cost Ratio = .80 or 80%
 (\$80,000,000/\$100,000,000)

This hypothetical cost ratio can be interpreted in the following way: Based upon calendar year 1981's data, actuarially adjusted to be reflective of current conditions, \$80 of benefits can be expected to be incurred for each \$100 of premium.

The Average Cost Ratio

Two estimates of how the current premium level compares with current benefit costs have been produced; one based upon 1980 policy year experience, and the other upon 1981 calendar year experience. The ratemaking procedure calls for a blending of these estimates. This is accomplished through an arithmetic average of the policy year and calendar year cost ratios.

- 1) Policy Year Cost Ratio .82
- 2) Calendar Year Cost Ratio .80
- 3) Average Cost Ratio .81

This value of .81 or 81%, means that, based upon experience, \$81 of benefits can be expected to be incurred for each \$100 of premium.

Target Cost Ratio

In order to evaluate the significance of the average cost ratio, a standard against which it can be measured is required. This standard is referred to as the target, balance point, or permissible cost ratio. It is the portion of each premium dollar available to finance benefits.

Balance Point Ratio



= the portion of each premium dollar available to finance benefits

As mentioned earlier, there are certain expenses which must be met in order to deliver workers' compensation benefits. If it is assumed that these costs account for 20% of each premium dollar, then it follows that 80% of each premium dollar will be available for financing the benefits themselves. Eighty percent then becomes the balance point or target cost ratio in the hypothetical example.

Necessary Rate Level

In general terms, the next step in the ratemaking process is to compare the average cost ratio with the target cost ratio. If the average cost ratio is greater than the target cost ratio, an increase is indicated, while if the average cost ratio is less than the target cost ratio, a decrease is indicated.

$$.81 \div .80 = 1.013$$

Average Cost Ratio \div Balance Point Ratio = Change in Premium level based on past experience

Thus, in the example, 81¢ out of the premium dollar is currently needed for compensation benefits, but only 80¢ is now available. This means that the current price is not sufficient to fund the system. Indeed, by dividing the 81¢ needed by the 80¢ available, a factor of 1.013 is determined which is the necessary adjustment to bring the premium level up to current needs: in this example, a 1.3% increase. Had the cost ratio shown a current need of less than the 80¢ balance point, then a premium level decrease would have been indicated.

This estimate of the required adjustment is predicated upon the current rate level and the current statutory benefit provisions and is based upon historical data from policy year 1980 and calendar year 1981.

Trend Factors

Since the objective is to produce rates to be used during 1983, it is important to consider whether the price level need for this future time will differ from the present. When the information available enables a projection of price level need, the ratemaking methodology incorporates this through the application of a "trend factor." One consideration which may cause future price level needs to change is *future* growth in payrolls. Other considerations such as changes in the frequency or severity of claims due to benefit utilization, inflation, etc. are also relevant. All of these considerations are incorporated to determine the trend factor.

Trend Factor

Reflects:

Premium

- Changes in payrolls

Benefit Cost

- Changes in duration of claims
- Changes in the frequency of claims
- Inflation rate

The trend factor is based upon a *comparison* of movements in benefit costs with movements in payrolls. Suppose, for example, that an examination of data shows that payrolls are, indeed, increasing. Since premium is based upon payroll, even by maintaining the current rates, a greater amount of premium will be generated in 1983 than was previously available.

On the other hand, suppose the review also shows that benefit costs are rising as well. Higher costs for 1983 than was the case for either 1980 or 1981 are also anticipated. The trend factor accounts for these *anticipated* movements in payrolls and benefit costs and enables the premium level need for 1983 to be estimated more accurately. Should the trend analysis reveal that benefit costs are growing faster than payrolls, then the 1.3% increase, based on historical data adjusted to current conditions, would be inadequate, and a greater increase is indicated. On the other hand, if payrolls are growing faster than benefit costs, then the 1.3% increase overstates the premium need and is lowered accordingly.

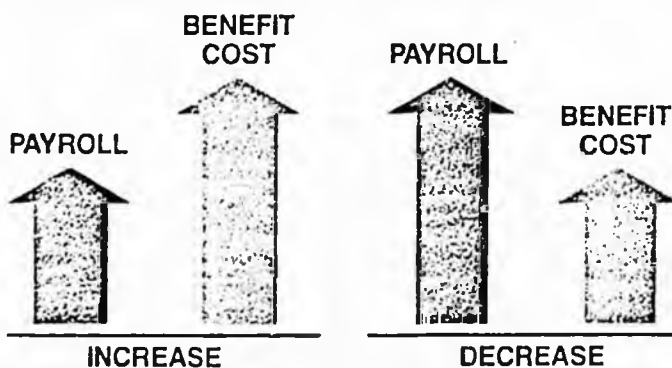
It should be understood that even in states in which application of a trend factor is not practicable, payroll growth is still reflected in the determination of rates. This is so because the most current premium figures are used which, in turn, reflect current payrolls.

To summarize, an overall adjustment has been determined which, when applied to the current rates, will produce a new set of rates. These updated rates will, when applied to 1983 payrolls, generate the premium required to pay 1983 claims. This represents the overall updating of rates based upon newly available data.

Updating For Changes In Statutory Benefits

To this point, it has been assumed that 1983 claims will be compensated according to the current statutory benefit provisions. There is, however, a further source of information available to the ratemaker. Suppose, as is often the case, that the ratemaker is aware of a future adjustment to statutory provisions. Pursuing the hypothetical example one final step further, assume that a change in the benefit provisions will occur on January 1, 1983. Since rates for application during 1983 are being produced, it is appropriate that this benefit revision be accounted for in the proposed rates. To achieve this, a cost evaluation of the change is performed for each type of injury—death, permanent total disability, permanent partial disability, temporary disability, and medical. Based upon how the various injury types are distributed, a combined impact of the benefit change on benefit cost is determined. If the new benefits result in increased cost, the indicated premium level adjustment is increased accordingly and, if the new benefits produce a decrease in cost, the indicated premium level adjustment is lowered.

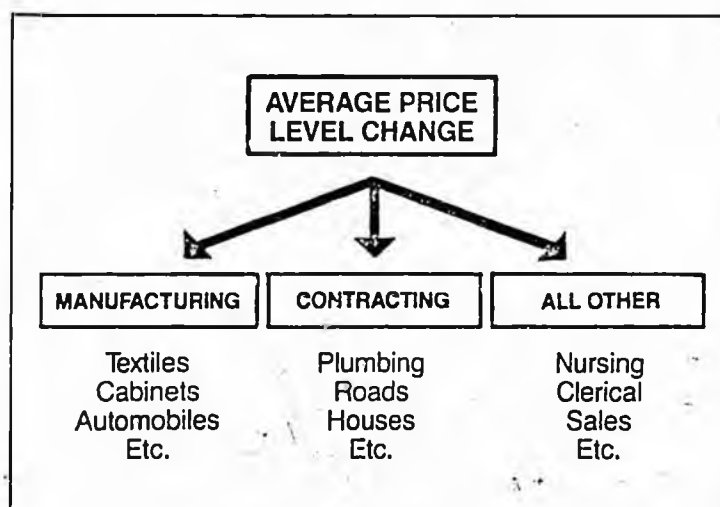
Trend Factor



Distribution Of Overall Rate Level Change To Individual Classifications

The fact that the overall level of premium in a state may need to be changed does not mean that the rates for each and every classification should be adjusted by the same amount. The overall indicated change is simply the average change which is necessary to generate the proper premium for the entire state. As mentioned before, there are about 600 work activity classifications. How, then, should the average change be distributed to these classifications? The process is accomplished in two steps. The first step is to calculate the needed change by "Industry Group."

Each classification is assigned to one of three broad categories based upon the work activity which that classification describes. These categories include manufacturing, contracting, and all other classifications. These three divisions are referred to as "Industry Groups."



If, for instance, the premium and benefit experience of the Manufacturing Industry Group was better than the overall experience, then that group's change will be less than the statewide change (less of an increase or more of a decrease). However, if an industry group had experience which was worse than the statewide experience, then its average change would be higher. It is possible that even when rates are increased overall, a particular industry can, on average, experience a decrease in rates.

It should be emphasized that the adjustment computed for an industry group is still an average; it represents the average change that job classifications in that group will receive.

The second step is to distribute the average industry group changes to the individual classifications such as machinists, bakers, plumbers, or nurses. The purpose of this classification system is to group employers so that the manual rate reflects the average exposure common to the business described. It is the business of the employer within a state that is classified, not the separate employers, occupations, or operations within the business. Since the classification's rate represents the average behavior of all members of that class, it is a fair and equitable way of distributing the cost of insurance.

How useful the latest experience in a particular classification can be for determining the rate in that class depends upon the volume of experience which has occurred in the class. If, for instance, within a particular class, the premium collected over the past three years totals \$3,000, while a claim occurred costing \$30,000, it is not proper to conclude that the price for that class should be increased ten-fold, based solely upon that experience. This is because the data available are not statistically significant. However, the greater the volume of data that is available, the greater the reliability for predicting future occurrences—and for setting prices. Actuaries call this "statistical significance" or "credibility."

If the operations placed under a particular classification have reported doing a large volume of business, the recent experience for the classification is regarded as fully credible, that is, it constitutes, in and of itself, the best means for future projection. If the volume of business is small, then the recent experience may have little or no credibility—the data are too limited from which to draw any conclusions. For in-between volumes of data, actuaries assign partial credibility values. If the latest three years of data for a class generate full credibility, no other information is necessary for determining that classification's rate change. But, as is the usual case, when only a lesser volume of data is available, this information must be supplemented by two other sources. The first source comes from the currently applicable rate, and the second source comes from the experience for that classification on a nationwide basis, properly adjusted to the conditions of the state being reviewed. It is worth noting that before the proposed schedule of prices by classification is released, a detailed test is made to insure that precisely the average price level change previously determined for each industry group is, in fact, achieved.

The "Manual Premium"— A Starting Point

What has been discussed so far is the updating of manual rates which are applied to payrolls to produce "manual premium." But, for the major share of the premium income earned, the manual rate is only the starting point for determining what an individual employer will pay for his workers' compensation coverage. The final premium cost to the insured depends on the operation of other programs, some mandatory and some optional.



Manual rate is starting point for determining cost of Workers' Compensation Insurance

Additional Factors:

1. Prospective experience rating
2. Premium discounts
3. Optional retrospective rating
4. Dividends to policyholders

Experience Rating Plan

For example, the classification system subdivides insureds according to product, process, operation, type and character of business, etc. But the insureds who populate these classes can differ in a variety of ways: how the operation is performed, the manner in which the product is manufactured, and the implementation and operation of safety programs, to name a few. These factors will all affect the propensity for an injury to occur. In order to reflect these differences and to encourage the safe operation of a workplace, an "Experience Rating Plan" is applied.

Experience Rating

1. Only applicable to insureds over eligibility point
2. Adjusts manual rate by comparison of employer's actual past experience to average of "expected" experience
3. Impact is proportional to the size of the insured

Experience rating is a mandatory program applied only to insureds who are large enough for the individual insured's own past experience to be an indicator of how the benefit cost for this insured will differ from the average in the future. For the smallest sized employers, no statistical significance can be assigned to their past history. Thus, they are charged the manual rate.

An insured with perhaps one-half million dollars of premium per year is of sufficient size that the costs he has generated in the past are a very reliable indicator of the cost he can be expected to generate in the future. For smaller employers, their own experience is a good partial indicator and, thus, is assigned a partial weight. Experience rating is a comparison of the employer's own past actual experience to the expected or average experience, generated by similar types of business.*

Premium Discounts

After the experience rating modification has been applied, the next step in determining the cost of a policy is to apply a program of mandatory premium discounts.* Premium discounts are needed because manual rates are equivalent to a manufacturer's list price applicable to goods being sold in small quantities. Just as the manufacturer reduces his unit price when larger quantities of the product are purchased, so, too, does the insurance company lower its prices when the employer has a large base premium.

The premium discount program is mandatory and requires that a discount be applied to any annual premium in excess of \$5,000. Premium discounts are appropriate to apply to the policy premium because there are certain costs to the insurance carrier which do not vary directly with the size of the policy.

Premium Discounts



1. Give insureds credit for economies of scale in the area of overhead (expenses)
2. Application of premium discount program is mandatory

The combination of the mandatory rates, experience rating, and premium discounts represents a guaranteed cost to the employer. If the employer believes it is to be to his advantage, he may seek a "retrospective rating" agreement which can alter his guaranteed cost.

*A discussion of the experience rating plan, together with a concrete description of how the plan impacts on the policy premium, is the topic of a booklet entitled, "The ABC's of Experience Rating," published by the NCCI.

*There are jurisdictions (e.g., Indiana) in which premium discounts are a marketing option to the insurer offering coverage. There are also jurisdictions (e.g., Indiana) in which no premium discounts may be applied to coverage under an assigned risk program.

Retrospective Rating

Retrospective rating is an optional program which only applies when the employer selects it and the insurer agrees to it. It is a program where, in essence, the employer agrees, prior to the start of the policy, to pay for his own benefit cost, plus a basic charge which largely is to cover the costs of the insurer-provided services.

An employer may choose such a "cost plus" arrangement with limits. For instance, there may be a maximum and/or minimum premium chargeable regardless of how high or how low the actual benefit costs turn out to be. The specific minimum and maximum amounts for a particular employer are agreed upon prior to the start of the policy. The rating organizations, on instruction from the National Association of Insurance Commissioners, check that each individual retrospective rating agreement is within the established bounds for actuarial fairness and propriety, as filed with the regulators.

Retrospective Rating

1. Completely optional
2. "Cost Plus"
3. Employer pays own benefit costs plus a basic charge for services
4. Cost to employer has pre-selected minimum and maximum premium
5. Actuarial propriety of each agreement checked by rating bureau

What has been described are the components of a total pricing program to be determined before coverage is initiated. It is worthwhile mentioning that some insurance companies, as a matter of their own corporate policy, make reductions to the net cost after the policy has expired. They do this through what is called a "dividend" to policyholders. Each company may have its own formula for determining dividends to be paid.

Dividends to policyholders are not, however, a part of the NCCI's pricing program, but can be a reduction in the final cost to employers.

Summary

A great deal of information has been presented, from the analysis of historical data and benefit changes to update the overall premium level, to the distribution of the overall adjustment among the numerous job activity classifications. Additionally, rating plans and the role they play in the pricing of coverage have also been reviewed.

The NCCI realizes that there is a growing awareness and heightened interest in how the price for workers' compensation insurance is determined. NCCI welcomes this interest and has, in response, provided this booklet. The pricing of workers' compensation insurance is a wide-ranging and complicated topic and, necessarily, technical matters have been presented here in a distilled and simplified form. A pamphlet geared toward individuals already familiar with the basics of ratemaking, who seek an in-depth understanding of the methodology, is now in preparation. The goal, here, has been to illustrate the fundamental principles involved, to remove some of the mystique, and thereby, to provide a better appreciation of the workers' compensation insurance product.

NCCI Locations

NCCI National Office, New York City

**NCCI Rating Division and
Data Processing Center, New Jersey**

NCCI Midwest Regional Office

1999 Wabash Avenue, Suite 205,
P.O. Box 1238, Springfield, Illinois 62705—Monitors
NCCI Offices Servicing Illinois, Indiana, Iowa, Kansas,
Missouri, Nebraska, Oklahoma and South Dakota

Illinois Council on Compensation Insurance

P.O. Box 1666, 1999 Wabash Avenue,
Springfield, Illinois 62705—Services Illinois

Indiana Compensation Rating Bureau, 5920 Castleway
West Drive, Suite 121, P.O. Box 50940, Indianapolis, Indiana
46250—Services Indiana

Kansas Council on Compensation Insurance, P.O. Box
1577, 3601 West 29th Street, Topeka, Kansas 66601—Services
Kansas

Missouri Council on Compensation Insurance, 10825
Watson Road, St. Louis, Missouri 63127—Services Missouri

North Central Council on Compensation Insurance,
4685 Merle Hay Road, OakMoor II, Suite 101, Des Moines,
Iowa 50323—Services Iowa, Nebraska and South Dakota

Oklahoma Council on Compensation Insurance, 3555
N.W. 58th Street, Suite 730, Oklahoma City, Oklahoma,
73112—Services Oklahoma

Coal Mine Council on Compensation Insurance, 10825
Watson Road, St. Louis, Missouri 63127—Services Coal
Mines

NCCI Southern Regional Office, 320 Beacon Parkway, West
Box C-40, Birmingham, Alabama 35283—Monitors NCCI
Offices Servicing Alabama, Arkansas, Florida, Georgia,
Kentucky, Louisiana, Mississippi, South Carolina and
Tennessee

Arkansas Council on Compensation Insurance, 307
Donaghey Building, 7th & Main, Little Rock, Arkansas
72201—Services Arkansas

Florida Council on Compensation Insurance, 7960
Arlington Expressway, 4th Floor, P.O. Box 8899, Jacksonville,
Florida 32239—Services Florida

Louisiana Council on Compensation Insurance, 3501
North Causeway Boulevard, Suite 600, Metairie, Louisiana
70002—Services Louisiana

South Carolina Council on Compensation Insurance,
3710 Landmark Drive, Suite 109, P.O. Box 4383, Columbia,
South Carolina 29240—Services South Carolina

Southeastern Council on Compensation Insurance 320
Beacon Parkway, West, Box C-40, Birmingham, Alabama
35283—Services Alabama, Georgia, Kentucky, Mississippi
and Tennessee

NCCI Western Regional Office, One Tamarac Square, Suite
500, 7555 E. Hampden Avenue, Denver, Colorado 80231—
Monitors NCCI Offices Servicing Alaska, Arizona,
Colorado, Idaho, Montana, New Mexico, Oregon and
Utah

Alaska Council on Compensation Insurance, 620 S.W.
5th Avenue, Suite 1110, Portland, Oregon 97204—Services
Alaska

Montana Council on Compensation Insurance, 620 S.W.
5th Avenue, Suite 1110, Portland, Oregon 97204—Services
Montana

Mountain States Council on Compensation Insurance,
One Tamarac Square, Suite 504, 7555 E. Hampden Avenue,
Denver, Colorado 80231—Services Arizona, Colorado,
Idaho, New Mexico and Utah

Oregon Council on Compensation Insurance, 620 S.W.
5th Avenue, Suite 1110, Portland, Oregon 97204—Services
Oregon

NCCI Eastern Regional Office, 998 Old Eagle School Road,
Suite 1210, Wayne, Pennsylvania 19087—Monitors NCCI
Offices Servicing Connecticut, District of Columbia, Maine,
Maryland, New Hampshire, Rhode Island and Vermont

Mid-Atlantic Council on Compensation Insurance, 305
W. Chesapeake Avenue, Baltimore, Maryland 21204—Services
District of Columbia and Maryland

Northeastern Council on Compensation Insurance, P.O.
Box 60, 21 Wintonbury Mall, Bloomfield, Connecticut 06002—
Services Connecticut, Maine, New Hampshire, Rhode
Island and Vermont

Additional Copies May Be Obtained From:
National Council on Compensation Insurance,
Public Affairs Office, One Penn Plaza, New York, New York 10119