

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 00/2

10954 HOUSE LABOR & COMMERCE



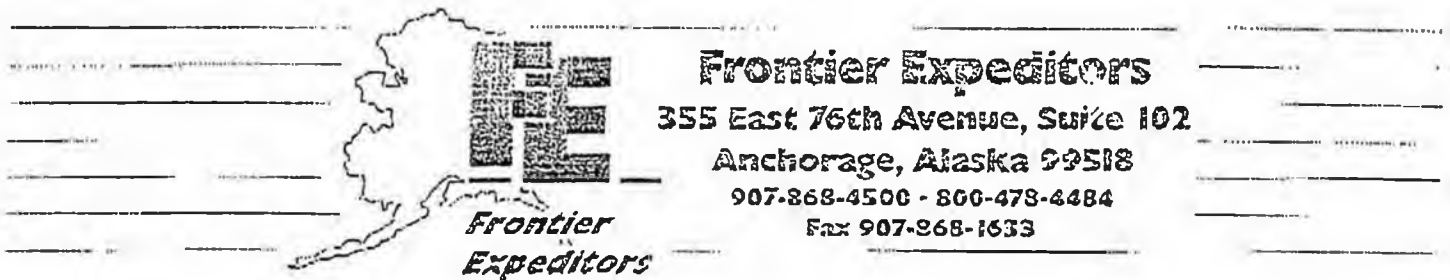
6401 A Street • Anchorage, Alaska 99518

Sen. Bunde

I Writing This Memo In Support Of HB 291. As A Tobacco Retailer The Time Line Set By The State Of Alaska Pertaining To Selling Unstamped Cigarettes After April 1st. I Find The Deadline To Be Insufficient Considering The Confusion At The Dept. Of Revenue In Regards To Issuing Of The Stamps To The Wholesalers. And Additionally, How The Retailer Will Be Protected If The Unstamped Cigarettes Aren't Sold By The Stated Deadline. Because Of The High Cost Of Goods This Would Cause A Financial Hardship To Many Retailers Across The State If They Were Forced To Absorb This Lost Revenue. Thanks For Taking This Matter Into Consideration.

Respectfully
Richard Warts
General Manager
Great Alaska Tobacco

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February 9, 2004

Senator Con Bunde
Alaska Senate
State Capitol -- Room 506
Juneau AK 99801

Dear Senator Bunde:

I am writing to provide written testimony in favor of SB 291 which provides for an extension of the March 31st deadline for the possession of unstamped cigarettes originally established in SB 168.

The 90 day transition timeline provided in SB 168 has proven inadequate to move taxed but unstamped product through the retail pipeline. Our company owns 25 retail stores in Rural Alaska that operate under the Alaska Commercial Company banner and has a wholesale relationship with over 100 small independent retailers throughout Rural Alaska. These retailers face a very real and unnecessary financial and legal exposure if relief, in the form of SB 291 is not provided. I am attaching examples provided by two of our smaller company owned stores as well as a store list to give you an idea of the potential magnitude of the problem.

We support SB 291 and believe that a June 30th deadline will give retail the necessary time to move unstamped product through the pipeline. January and February are our two slowest months at retail plus all stores take annual inventory in January requiring stocks to be at lowest possible levels.

Thank you for your time and consideration regarding this issue. I would be happy to provide any additional information at your request.

Sincerely,



Bob Galostich
Vice President of Wholesale Operations
Frontier Expeditors

Bob Galosich

From: Ft. Yukon
Sent: Friday, February 06, 2004 10:40 AM
To: Bob Galosich
Cc: Gary Long; Walt Pickett
Subject: tobacco products

Morning Bob.

I have a few items in my store I'm not sure will sell by June. that are not stamped. I have gone through my inventory and came up with a few cigarette's and snuff (I don't know if that's included or not. I'm assuming so since it's tobacco.) that we probably will not sell before June.

Here's the list:

Kodiak chew 18 rolls (I don't believe we have sold this since we got here.)

Copenhagen long cut 2 rolls

Salem lights 16 cartons (I believe who ever smoked these moved because we haven't sold any in a long time.)

Newports 10 cartons

Basic Lights 100's 16 cartons

GPC Lights 17 cartons

Marlboro Mediums 13 cartons.

Thanks for any help you can be. Stevi

Bob Galosich

From: Gary Long
 Sent: Friday, February 06, 2004 2:32 PM
 To: Bob Galosich
 Cc: Walt Pickett
 Subject: FW: Tobacco

Bob,
 FYI
 Gary Long

-----Original Message-----

From: Unalakleet
 Sent: Friday, February 06, 2004 12:17 PM
 To: Walt Pickett
 Cc: Gary Long
 Subject: Tobacco

Walt

Below is a list of tobacco cartons that I'm carrying without the tax stamp. The line marked problem are the products that I'm worried about moving before the June dead line.

<i>Brand</i>	<i>Qty on hand</i>	<i>Problem</i>
Mar. Ultra Light 100s	1	
Mar. Ultra Light Kings	3	2
Mar. Blend 27 Kings	2	1
Mar. Blend 27 King Box	2	1
Mar. 25 Box	5	
Mar. Med Box	8	
Mar. Light 100s	4	
Mar. Kings	21	
Mar. King Box	19	
Cam. non filter	2	1
Cam. Light King	8	
Cam. Light Box	5	
Basic Light 100s	2	2
Basic Light King	6	5
Winston King	12	
Winston King Box	1	
Winston Light 100s	16	8
Virginia Slims Light	2	2
Kool Kings	1	
Merit ultra Light Kings	3	2
Merit Light Kings	15	14
Lucky Strike	5	5
Salem King	10	9
Salem King Light	13	12

These are the same problem ones that I pointed out to you when you were here, which I got stuck with from Terry. Any help we can get would be greatly appreciated.

Thanks Lee

ALASKA COMMERCIAL COMPANY BRANCH LIST -September 2, 2003

ALASKA COMMERCIAL COMPANY CORPORATE OFFICES/BILLING 500 WEST 84TH AVENUE, SUITE 100 ANCHORAGE, AK 99516-1722	907-273-4600 AC# 416 907-273-4600 FAX AC# 0236 907-273-4604	JERRY BITTNER..... PRESIDENT FRANCHISE MANAGER HARDWARE MANAGER SCOTTSCODE MANAGER					
ALASKA COMMERCIAL COMPANY ANCHORAGE PROCESSING CENTER 4155 MIKE STREET ANCHORAGE, AK 99519	907-562-5590 FAX AC# 125 907-562-4324 AC# 0810	GARY BRUCE ROCKY FREDRICH JO CHAMBERS					
ANIAK, AK 99507-5025 AC VALUE CENTER P.O. BOX 9 4025 A-INDIANA STREET	FE# 14602 907-575-4225 FAX AC# 115 907-562-5771 AC# 0518 907-562-0194 900-568-2287	SD 125 DARY TEJGEN BOB BOUDREAU	LEE THOU BOB BOUNDREAU	GRAY EBERSTAD MANSOUF ALZAHARA	SCOTT EBERSTAD SCOTT EBERSTAD	JENI THORNTON BILLY FABIAN	
BARROW, AK 99721-0019 AC QUICKSTOP P.O. BOX 1859 1230 MIKE STREET	FE# 14616 907-852-3712 FAX AC# 355 907-852-4658 AC# 0281	SD 115 DAVID BEXTEL					
BARROW, AK 99723-0009 AC VALUE CENTER P.O. BOX 818 135 MIDNIGHT STREET	FE# 14642 907-852-4670 FAX AC# 135 907-852-1681 AC# 0512 800-478-1681	SD 335 DAVID HICKS DARREN MICHAEL MICHAEL JOSEPHSON	JEFF LINDSEY SANDRA GILBERT	ELLIS HOWELL TERRY COLONNORATHAN MOSENF	LOU GIBBERNE LOU GIBBERNE	PAULINE MATHIAS SHELENE COURTRIGHT	
BETHEL, AK 99553-0278 AC EXPRESS - BELLS FLATS 11013 BEZANCOFF DRIVE WEST BETHEL, AK 99553	FE# 14603 907-848-4121 FAX AC# 535 907-847-2117 AC# 0218	SD 115 STEVE KREBER					
BETHEL, AK 99553 AC VALUE CENTER P.O. BOX 130 105 NICHOLSON WAY	FE# 14674 907-847-2157 FAX AC# 235 907-847-7145 AC# 0525 907-847-7155	SD 535 DENNIS ROSE VIVI SILVEIRA	CARL JOHNSON NIMI SILVEIRA	GARY STRANGE JAY DOCKBAIN	BOB GILBERT BOB GILBERT	ERIN HULLER KATHLEEN SWETZE	
CORDOVA, AK 99504-0140 AC VALUE CENTER P.O. BOX 490 265 MAIN STREET	FE# 14604 907-844-7141 FAX AC# 295 907-842-8444 AC# 0514 800-478-8444 WFS 907-842-2273 WFS	SD 215 ROB BABIAK J.D. MCKENZIE	ELLIS HAWES ADDIE GORDAND	JOBEN SEEMAN	TRAVIS CLARK	KATHY MCKENZIE SHIRLEY EBERLE	
DILLINGHAM, AK 99576-0217 AC VALUE CENTER P.O. BOX 52743 100 SALMON WAY	FE# 14618 907-842-2417 FAX AC# 245 907-842-2245 AC# 0528	SD 295 JOHN SCHNAUBERT CHRISTINE MCGRAWAY CHRISTINE MCGRAWAY		MARY ORA	ELLIS GOWEN	MARSHALL MARGARETA	
DUTCH HARBOR, AK 99520-0109 AC VALUE CENTER P.O. BOX 109 345 MAIN STREET	FE# 14605 907-842-2417 FAX AC# 345 907-842-2418 AC# 0516	SD 245 RUE SAUNDERS					
EMMONS, AK 99551-0500 AC VALUE CENTER P.O. BOX 19 155 MAIN STREET	FE# 14606 907-842-2274 FAX AC# 155 907-842-2270 AC# 0517	SD 345 STEVIE NEILS				ROBERTA E HANNE BERGMAN	
FORT YUKON, AK 99742 HOOPER BAY NATIVE STORE GENERAL DELIVERY P.O. BOX 202	FE# 14607 907-842-2274 FAX AC# 375 907-758-4000 AC# 0529	SD 155 JOHN OLSON					
HOOPER BAY, AK 99504 SEA LION RETAIL STORE GENERAL DELIVERY P.O. BOX 178	FE# 14634 907-758-4001 FAX AC# 385 907-758-4003 AC#	SD 375 JOHN OLSON	CHRIS BERNSTEN			MICHAEL OLSON JOHN OLSON	
HOOPER BAY, AK 99504 AC VALUE CENTER P.O. BOX 149 1 FAYVEN DRIVE	FE# 14636 907-758-4001 FAX AC# 325 907-497-4000 AC# 0584	SD 385 SANTON LAMLA JESSE LAMPASSETTI MANDY DEBRA BELL					
KING COVE, AK 99612	FE# 14619 907-497-4001 FAX SD 325						

SB

311

CSSB 311(JUD) HIGHLIGHTS RELATING TO ADJUDICATION OF WORKERS' COMPENSATION CLAIMS

Measured response to workers' compensation insurance premium increase and unhealthy insurance market conditions now impacting Alaska businesses.

- Amount paid in 2003 on Alaska workers' compensation claims exceeded \$ 210 million.
- The insurance companies in the Alaska workers' compensation market paid out from \$.99 to \$1.54 in claims for every premium dollar collected from 1997 to 2002. The average claims pay out was \$1.24 per dollar in premium collected.
- Average workers compensation premiums increased 21% this year, but premiums in 17 business classes went up over 50% (hospital non-professional 54%, household appliance installation & repair 52%, day nurseries, child care & day camps 56%, barber shops and hair salons 57%, building & property management 57%, geophysical seismic exploration 56.8%).
- System encourages inconsistency due to multiplicity of board panels, non-precedential 1st review by Superior Court, and lengthy, expensive appellate process.

Creates long-term systematic efficiencies and streamlines the system without reducing injured workers' benefits.

- No change in benefits to Alaskan workers. Non-residents capped at Alaskan rates.
- Reorganizes the system that enforces the laws and the process of settling disputes. It doesn't change the substance of the workers' compensation laws, JUST THE ADJUDICATION PROCEDURES.

Moves Alaska closer to the national norms of workers compensation systems by creating an accountable, effective Division of Workers' Compensation to replace an outmoded "unified board" structure.

- All administrative responsibility presently rests in 15 member Workers' Compensation Board with no accountability.
- Bill establishes the Division of Workers' Compensation and its Director, making them responsible for enforcement.
- Gives Division and Director new tools, like a \$100 per day per employee penalty against employers not insuring employees. Currently uninsured employers cannot be punished for time operating uninsured, thus putting workers at risk and insured employers at a competitive disadvantage.

Separates adjudication of disputes from enforcement & administration – reorganizes administrative adjudication process.

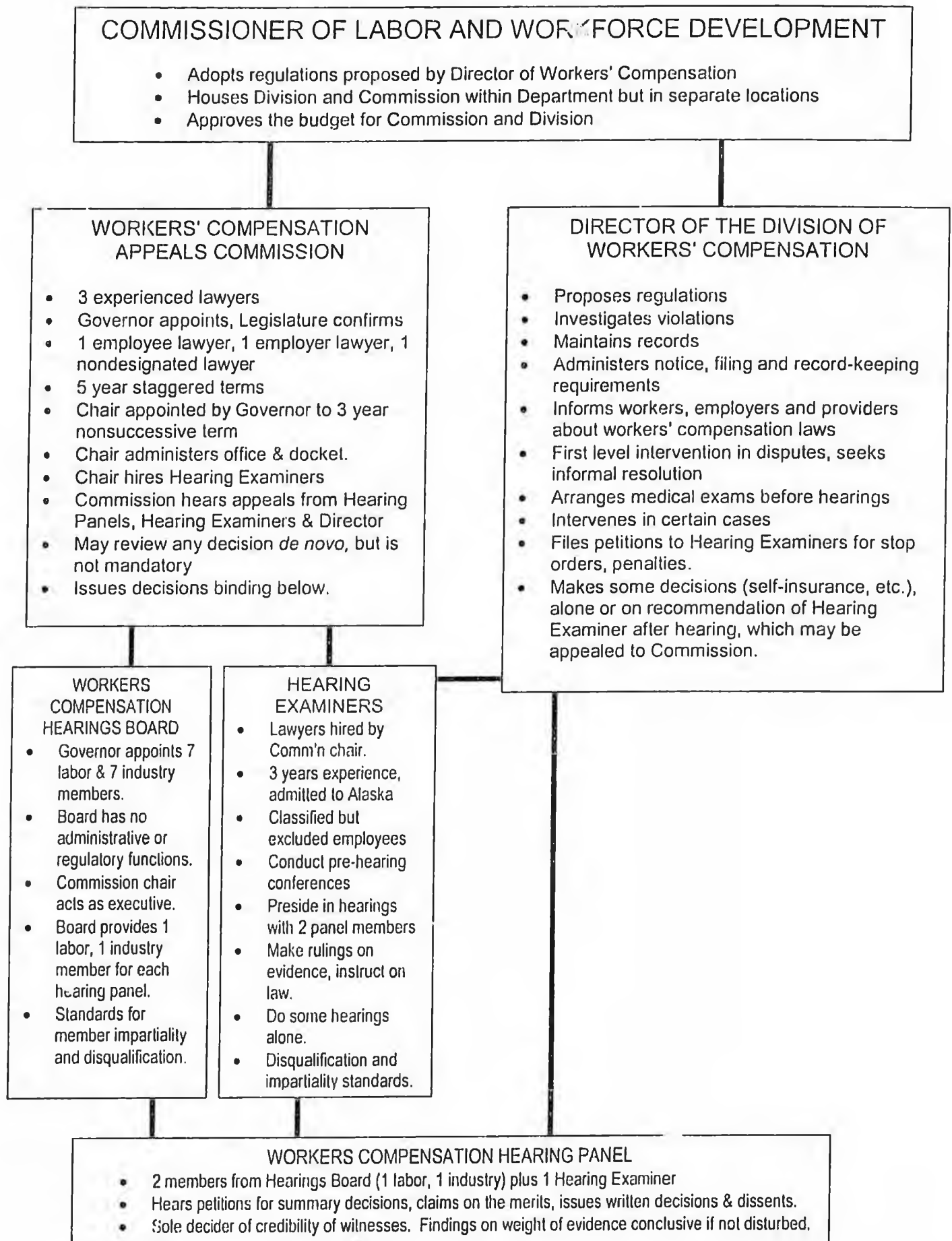
- Substitutes faster, more consistent system with 2 tier administrative process and direct appeal to Supreme Court.
- Appeal to Commission with power to bind lower administrative hearing panels encourages predictability & consistency & brings Alaska administrative process into conformity with majority of other states.
- 3 member Appeals Commission composed of experts in field from divergent viewpoints will build consensus and coherence instead of inconsistent, non-binding body of case law that encourages litigation – avoids delays of 2-step court process.
- Sets explicit standards to enforce impartiality & avoid conflicts.

CSSB 311(JUD) HIGHLIGHTS RELATING TO ADJUDICATION OF WORKERS' COMPENSATION CLAIMS

CSSB 331(JUD) is the result of significant concessions to organized labor. Administration met with both "ad hoc committee" and AFL-CIO delegates to negotiate on this bill. After administration concessions on key issues, virtually all of the bill was agreeable to labor. Key changes were:

- Retains lay board members, one industry, one labor, in hearing process.
- Balances the appeal commission so that appointments are representative of both employees and employers.
- Puts hearing examiners in the classified service, rather than partially exempt.
- **Only one point was left unsettled:** Whether the Commission should review the factual findings of hearing panels *de novo*, thus allowing the Commission to reweigh the evidence.

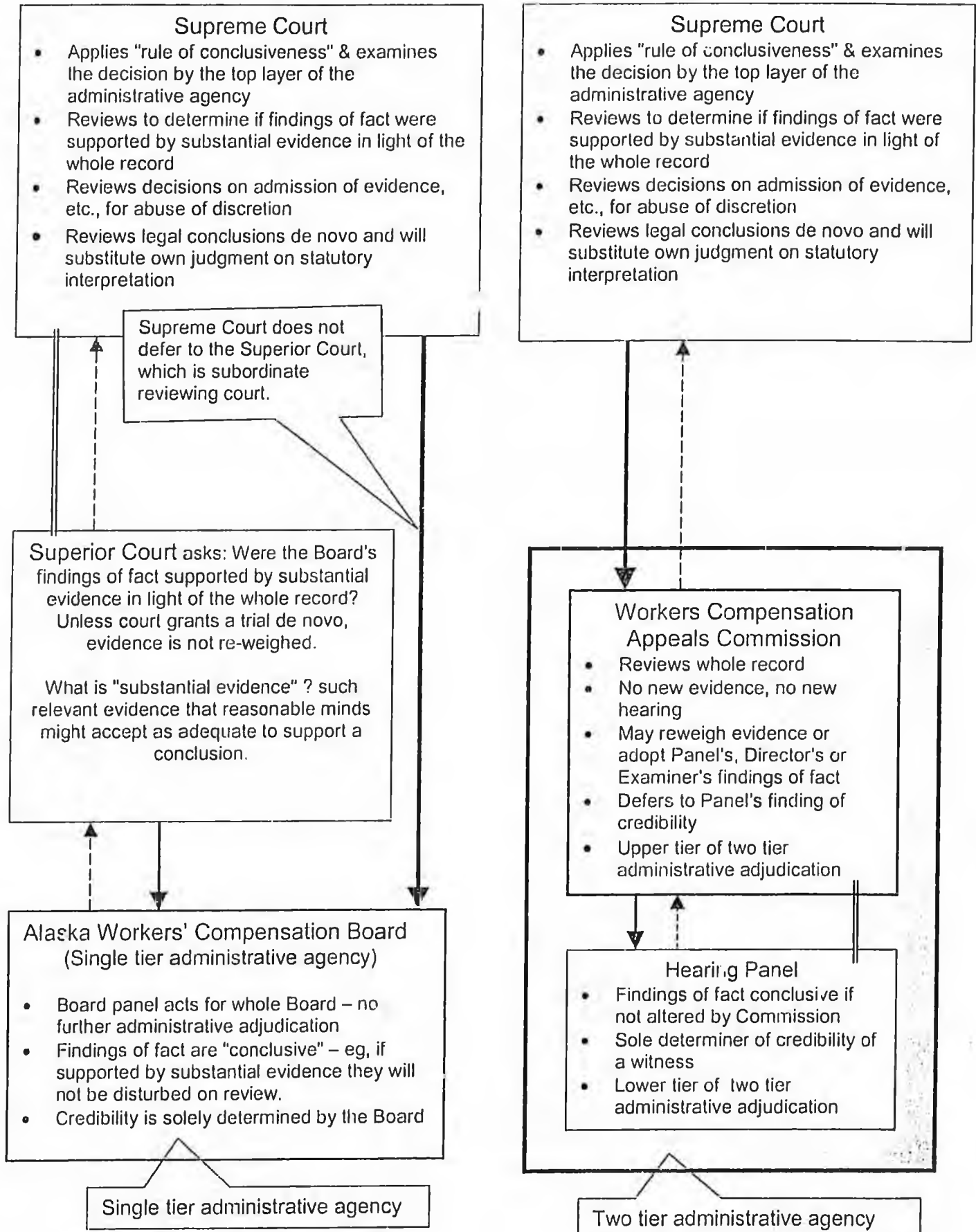
Workers Compensation Organization under CSSB 311(JUD)



Comparison Of Methods for Review of Workers' Compensation Cases

Current System

CSSB 311(JUD)



--> Appeal
-> Review
= Administrative connection

What's the Difference? Comparison in Question & Answer Format

What's the difference?	Current System	SB 311/HB450	CSSB 311 (JUD)
Who runs the "system" – all the record-keeping and enforcement?	The <u>Workers Compensation Board</u> administers the workers' compensation system with staff provided by Dept of Labor and Workforce Development – same Board does adjudications.	<u>Division of Workers' Compensation</u> created in Dept of Labor and Workforce Development to administer system. Separate from adjudications.	<u>Division of Workers' Compensation</u> created in Dept of Labor and Workforce Development to administer system. Separate from adjudications.
Who makes regulations?	The <u>Workers' Compensation Board</u> (chaired by Commissioner of Labor & Workforce Development) makes regulations by a majority vote.	<u>Director of Division of Workers' Compensation</u> proposes regulations for Commissioner to adopt.	<u>Director of Division of Workers' Compensation</u> proposes regulations for Commissioner to adopt.
Who investigates and accuses uninsured employers? Who decides the case against uninsured?	The <u>Workers' Compensation Board</u> , thru Dept staff, investigates. <u>Board Panel</u> files charges against uninsured, lapsed self-insured employers, then <u>Board Panel</u> hears the case. Appeal to the Superior Court.	<u>Director</u> investigates and files charges against uninsured, lapsed self insured employers, <u>commission hearing officer</u> hears the case. Appeal to full Commission.	<u>Director</u> investigates and files charges against uninsured, lapsed self insured employers, <u>commission hearing examiner</u> hears the case. Appeal to full Commission.
Where does an injured worker or confused employer go for general information?	Department of Labor and Workforce Development staff in <u>Division of Workers' Compensation</u> .	<u>Division of Workers Compensation</u> in Department of Labor and Workforce Development.	<u>Division of Workers Compensation</u> in Department of Labor and Workforce Development.
Where does a notice of injury get filed?	<u>The Workers Compensation Board</u>	<u>Division of Workers' Compensation</u>	<u>Division of Workers' Compensation</u>
Who does informal dispute resolution?	<u>Division of Workers Compensation</u> staff (Workers' Comp. Officers)	<u>Division of Workers Compensation</u> staff (Workers' Comp. Officers)	<u>Division of Workers' Compensation</u> staff (Workers' Comp. Officers)
Who decides if a medical examination is needed before a hearing?	The <u>Workers' Compensation Board's</u> designee, (usually a Workers' Comp. Officer), Appeal to the Board.	<u>Division of Workers Compensation</u> Director's decision may be appealed to commission	<u>Division of Workers' Compensation</u> Director's decision may be appealed to commission
Who schedules a hearing?	After an affidavit of readiness is filed, the <u>Workers' Compensation Board</u> notifies the parties of a pre-hearing conference and a Board designee sets the hearing date.	After an affidavit of readiness is filed, the case is transferred to the Commission. A <u>Hearing Officer</u> holds a conference, arranges discovery, and sets a hearing date.	After an affidavit of readiness is filed, the case is transferred to the Commission. A <u>Hearing Examiner</u> holds a conference, arranges discovery, and sets a hearing date.
What happens if a worker wants a protective order?	Petition to the <u>Workers' Compensation Board</u> , decided by Board designee with appeal to the Board then Court.	Petition filed. <u>Hearing Officer</u> decides. Expedited appeal to Commission.	Petition filed. <u>Hearing Examiner</u> decides. Expedited appeal to Commission.

What's the Difference? Comparison in Question & Answer Format

What's the difference?	Current System	SB 311/HB450	CSSB 311 (JUD)
Who decides a worker's claim or employer's petition?	The <u>Workers' Compensation Board</u> panel, one member or two, plus a hearing officer	A <u>Hearing Officer</u>	A <u>Hearing Panel</u> : two Hearings Board members plus a Hearing Examiner
Who are the Board members?	<u>Workers Comp Board</u> members are appointed by the Governor, confirmed by Legislature, 7 representative of labor, 7 representative of industry. Comm'r of Labor sits as 15 th member.	No, Board	<u>WC Hearings Board</u> members appointed by the Governor, 7 from labor, 7 from industry. Chair of commission is not a member, serves as administrator.
Must hearing officers be attorneys?	No.	Yes, admitted to practice in Alaska, subject to ethics rules, with 3 years experience	Yes, admitted to practice in Alaska, subject to ethics rules, with 3 years experience
How are hearing officers paid?	Range 21, classified service in PERA (GGU).	Range 24, partially exempt and excluded from PERA.	Range 24 Hearing Examiners, classified but excluded from PERA.
Are there provisions in the Workers' Compensation Act about impartiality and disqualification?	No.	Yes.	Yes.
Can the Director of the Division of Workers' Compensation be a party in a case?	No.	Yes. Also, <u>Director</u> can file petitions and appeals.	Yes. Also, <u>Director</u> can file petitions and appeals.
At a hearing, who decides how the law is interpreted?	1 or 2 members of the <u>Board</u> and a hearing officer decide together, with equal votes, how to interpret the law.	The <u>Hearing Officer</u>	The <u>Hearing Examiner</u> makes rulings on the law and instructs the 2 Hearings Board members present.
At a hearing, who decides the facts?	1 or 2 members of the <u>Board</u> and a hearing officer decide together, with equal votes	The <u>Hearing Officer</u>	The 2 Hearings Board members present and the Hearing Examiner decide together as a <u>Hearing Panel</u>
If an employee wants something that the workers' compensation law doesn't cover, must we still have a hearing on the merits?	Yes, if the employee wants a hearing.	No. If the only issue is whether the employee is asking for something covered by the law and there are no material disputes of fact, you can ask for a summary decision by a <u>Hearing Officer</u> .	No. If the only issue is whether the employee is asking for something covered by the law and there are no material disputes of fact, you can ask for a summary decision by a <u>Hearing Panel</u> .

What's the Difference? Comparison in Question & Answer Format

What's the difference?	Current System	SB311 / HB450	CSSB 311 (JUD)
What if a person wants reconsideration?	The workers' compensation act has no provision for reconsideration. The <u>Board</u> has used other statutes to do this, but the application is not always clear.	New provisions outline when reconsideration can be asked for and how to ask for it.	New provisions outline when reconsideration can be asked for and how to ask for it.
Where does an appeal go?	To the <u>Superior Court</u> . The court may review de novo. The Board's findings, including the weight to be given evidence, are conclusive and may be set aside only if not supported by substantial evidence.	To the <u>WC Appeals Commission</u> , which may review de novo. The Hrg Officer's findings of credibility are binding, but other findings as to weight of evidence may be set aside by the Commission.	To the <u>WC Appeals Commission</u> , which may review de novo. The Hrg Panel's findings of credibility are binding, but other findings as to weight of evidence may be set aside by the Commission.
Is the appeal decision binding on the Board?	No.	Yes.	Yes.
An employee can't get a lawyer to appeal, but the case is novel. Can the Division help?	No. The employee must file pro se.	The <u>Director</u> , when the law is not settled on an issue, may file an appeal to the <u>Commission</u> – or the employee can file pro se.	The <u>Director</u> , when the law is not settled on an issue, may file an appeal to the <u>Commission</u> or the employee can file pro se.
What is the next level of appeal?	<u>Supreme Court</u> , which gives no deference at all to the Court, and may set aside findings of the Board if not supported by substantial evidence.	<u>Supreme Court</u> , which would give no deference to the Commission on matters of law, and could set aside fact findings if not supported by substantial evidence.	<u>Supreme Court</u> , which would give no deference to the Commission on matters of law, and could set aside fact findings if not supported by substantial evidence.
If an insurer wants second injury fund reimbursement, who decides who pays?	The <u>Workers' Comp. Board</u> panel	The <u>Director</u>	A <u>Hearing Panel</u>
Who is the Reemployment Benefits Administrator?	A PX employee of the <u>Board</u> who is in charge of vocational rehabilitation in the workers' comp system	A PX employee of the <u>Director</u> in charge of vocational rehabilitation in the workers' comp system	A PX employee of the <u>Director</u> in charge of vocational rehabilitation in the workers comp system
An employee wants to settle her case. Does she need approval?	Yes. The settlement must be in writing, meet stringent regulations and <u>the Workers' Compensation Board</u> must decide it is in her best interest to settle your claim.	If she is represented by an Alaskan attorney, she does not need approval, if the settlement is in writing, meets regulations, and is filed with the <u>Division</u> . If a minor or pro se her agreement must be reviewed by a hearing officer and be in her best interest.	If she is represented by an Alaskan attorney, she doesn't need approval, but the settlement must be in writing, meet regulatory standards, and be filed with the <u>Division</u> . If a minor or pro se, her agreement must be reviewed by a hearing panel and be in her best interest.

CSSB 311(JUD) TOPICS

Why Is The Commission In This New System?

The Commission is the means of achieving consistency in decision making, sooner and at less expense than the current system.

- Almost all other states have a two-tier administrative hearings system – except a few that have no administrative hearings at all.
- A two-tier administrative system means that a lower tier hears the case and an appeal is made to an administrative board or commission that resolves conflicts and establishes the law by binding precedent within the agency – without requiring that the matter go all the way to the state supreme court.
- Setting precedent early and resolving conflicts within the agency is simply faster and cheaper than a Supreme Court appeal. The Commission doesn't require two sets of legal briefs, a year's delay getting the record prepared, six months to wait for a decision, and all the cost of prolonged appeals.

A single 3-member body, in place of more than 30 single superior court judges, will develop a consensus on what the law is and ensure, over time, more predictability in the system.

- The Commission replaces the Superior Court appeal. The Superior Court appeal has no value as binding precedent, although it may resolve issues between parties.
- A superior court judge does not have the expertise in this field that the commissioners will be able to bring to bear on issues to ensure that all issues below were fully developed and the evidence carefully and rationally considered.

The Commission system is more flexible and can adapt to the particular demands of workers' compensation cases.

- It doesn't just affirm or reverse. It can send the case back if the evidence is incomplete for a hearing panel to take additional evidence.

CSSB 311(JUD) TOPICS

Why Not Just Have One Judge (Or A Few Judges) Hear Workers' Compensation Appeals?

- Any legislative creation of a single judgeship for a particular subject matter would run afoul of the Alaska Constitution's grant of powers of administration to the Supreme Court.
- Even if constitutional, without substantial changes to current statutory provisions, referral to a superior court judge would not accomplish the end this bill seeks: consistent, expert, unified review. AS 22.10.020 (jurisdiction) and venue rules do not anticipate sending all workers' compensation matters arising statewide to only one judge. AS 22.10.090 (qualifications) does not require workers' compensation expertise. AS 22.10.022 (preemptory challenge) allows parties to avoid a single judge through a challenge to the assigned judge. Thus, it is impossible under current law to refer to a single judge.
- While perhaps "practically" precedential" (based upon the premise that a single judge's opinions are unlikely to change rapidly over a lifetime), superior court opinions are still neither published nor precedential.
- Unlike a superior court judge, the commission may operate despite a recusal or unavailability of a member.
- Unlike a superior court judge, a commission member may be removed for cause without elaborate procedures – and more quickly replaced – thus avoiding delays in resolving cases.
- Unlike a superior court judge, a commission member is appointed for a 5-year term and works with others with divergent views, but a superior court judge is appointed for life (subject to retention elections), resulting in the long-term concentration of power.

CSSB 311(JUD) TOPICS

Why Is *De Novo* Review Part Of This Bill? And What Is It?

- This bill allows the appeals commission to make a *de novo* review on the record. **No new evidence, no new trial is permitted** on the substance of the appeal. See AS 23.30.128(b) – page 41, lines 3-8.
- ***De novo* on the record is the standard in administrative law when a higher administrative body reviews the decision of a lower body or decision-maker.** It is the majority rule and the rule in most states in workers' compensation appeals. The rule of conclusiveness is applied to the highest tier of administrative decision making. In order to have conclusiveness, the highest administrative tier **MUST** have the power to review *de novo* on the record. And since the Commission's decisions are binding on the panels, the Commission must be the highest tier of administrative decision-making in this new system.
- ***De novo* review allows the Commission to review how carefully and rationally the hearing panel examined the evidence and to correct serious instances of error or where the weight of the relevant evidence doesn't support the decision.** These errors are unreachable now unless the superior court finds sufficient reason to hold a trial *de novo*.
- **It provides a check on error, by experts in the law, regarding the due process provided in the hearing, the opportunity allowed for the parties to be heard and for their arguments and evidence to be fairly considered; and the hearing panel's careful and rational examination of the evidence, while preserving the right of a witness to face the determiner of his credibility.**
- ***De novo* review does not apply to credibility determinations.** This bill makes credibility determinations of the hearing panel binding on the commission and they cannot be set aside. The witness whose credibility is "on the line" has the right to face the people who are deciding if he or she is telling the truth. This bill preserves that right.
- In Supreme Court review, the "conclusiveness rule" would apply to the Commission's findings and, if not disturbed by the Commission, to the hearing panel's findings. **So standard of review by Supreme Court would not change.**
- ***De Novo* review on the record doesn't mean that the Commission can set aside the hearing panel's findings on a whim.** The Commission cannot act arbitrarily because it is subject to review for abuse of its discretion. And, unless a particular finding is set aside, the hearing panel's findings are conclusive – just as they are now.

CSSB 311(JUD) TOPICS

Common Objections to *De Novo* Review

This *de novo* review grants the Commission more power than the superior court.

No, the superior court has power to hold a trial *de novo* in whole or in part. It can hold a trial *de novo* on the record if it needs to do so. The fact that it is a power rarely exercised does not mean it does not exist. Because the bill limits the Commission to a review *de novo* on the record, the commission actually has less power than the superior court.

The law we have now at AS 23.30.122 was added to prevent court's meddling and make the board's decisions conclusive.

- Not entirely true. The law we have now was made to repel challenges to the growing number of panels and individual panel's power to "speak for the board". It enforced conclusiveness of the panel's decision and forestalled demands for a "full board hearing" which would have weakened the panel system.
- New system adds a superior administrative body and eliminates the board as an administrative agency, so there is no reason to retain the legal authority of the panels to "speak for the full board".

***De novo* review is a "second bite of the apple".**

- Not really – it is a second look at the bite marks in the apple.
- There is no second trial and no new evidence in this proceeding.
- *De novo* review on the record means that the hearing panel's obligation to carefully and rationally review the evidence, match the evidence to the elements of a claim, and explain the analysis used to resolve disputed issues, will be enforced.
- It is just as advantageous to employees who may believe their evidence was given short shrift as to employers.

***De novo* review will encourage more appeals and more delay.**

- Initially there may be more appeals until it becomes clear that the Commissioners are exercising their oversight responsibilities carefully, prudently, and reasonably.
- But delay is bound to be less than currently experienced as claimants and employers appeal to the Superior Court: preparation of the record delay eliminated, time to decision cut in half.

CSSB 311(JUD) TOPICS

Why Not Put Hearing Examiners In The Unionized State Work Force?

- The hearing examiner positions are up-graded significantly in terms of qualifications and pay as compared to existing workers' compensation hearing officers. They are now part of a small, professional class of employees.
- Other hearing examiner positions are in the "classified but excluded" group – such as the hearing examiner for the Alaska Labor Relations Agency.
- Classified service offers merit system protection from arbitrary employer action, while preserving confidence in the examiner's neutrality.
- This bill bars hearing panel members from sitting in cases when the claimant is a member of the member's union or an employee of the member. The same rule should apply to the hearing examiner's relationship to the claimant.
- The hearing examiner is making rulings affecting the employment rights of co-employees. Membership in the same union creates an appearance of partiality.

CSSB 311(JUD) TOPICS

Where's The Cost Savings? Isn't This Just An Effort To Cut Benefits?

- Benefits to Alaska workers are not reduced in this bill.
- The cost savings will develop as the Commission resolves uncertainties in the law that now promote litigation and improper payment.
- A less expensive appeal mechanism that results in binding decisions on conflicts sooner than a Superior and/or Supreme Court appeal will result in greater predictability and consistency in application of the law.
- Predictability allows insurers to set rates appropriately, and retards development of unforeseen expenses.
- Predictability and consistency encourages market participation and competition in the state's insurance market.
- A system that is more like the national model, that is familiar to national insurers, will also encourage insurer participation in our market.
- This is an opportunity to allow the system to correct itself without an attack on injured workers' benefit levels – which is the alternative, much more direct method of reducing insurance costs.

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Laborers Local 341

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FROM: WCCO ALASKA

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**ALASKA
LABOR-MANAGEMENT
AD HOC COMMITTEE
ON WORKERS' COMPENSATION**

March 5, 2004

The Honorable Pete Kott
Speaker of the House
Alaska House of Representatives
State Capitol
Juneau, AK 99801

The Honorable Gene Theriault
President of the Senate
Alaska Senate
Juneau, AK 99801

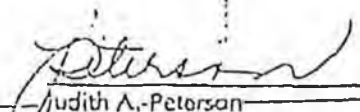
Gentlemen:

The Ad Hoc Committee, which consists of representatives from industry and labor, historically has met periodically to address issues that affect substantive changes (issues that affect benefits) in the Workers' Compensation Act. In January management and labor decided the time had come to address such issues again. In the mean time, the administration proposed SB311 and HB450, which deal with procedural issues (issues regarding the make up and management of the Board). Although the Ad Hoc Committee had never dealt with such issues previously, labor recommended the Ad Hoc Committee consider the bill.

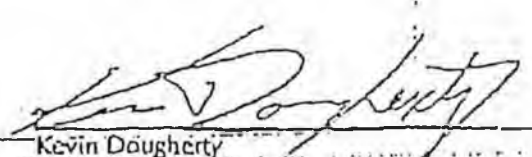
The Committee reached agreement on sections of the bill that refer to the Guaranty Fund, capping out-of-state workers' compensation at what the employee would have earned in-state, placing some administrative responsibilities formerly vested in the Board with a Workers' Compensation Division Director, uninsured penalties and replacing the Superior Court with an appeals commission.

The Committee has scheduled no further meetings on the issue. We do, however, anticipate meeting in the future on substantive issues of concern to both management and labor.

Sincerely,



Judith A. Peterson
President, WCCA
Northwest Technical Services



Kevin Dougherty
Alaska Laborers

Page 2

Richard Cattanach
Associated General Contractors of Alaska

David Ford
Ironworkers Local 751

Laura Jackson
University of Alaska

John Guichii
IBEW

John Garrett
Alyeska Pipeline Service Company

Barbara Huff-Tuckness
Teamsters

April Reilly
Rainproof Roofing, LLC

Jim Robison
Senior Alaskan

Cc: Con Bunde
Chairman, Senate Labor & Commerce Committee

Tom Anderson
Chairman, House of Representatives Labor & Commerce Committee

WCCA WORKERS' COMPENSATION COMMITTEE OF ALASKA
P.O. Box 200631 • Anchorage, Alaska • 99520

March 4, 2004

The Honorable Con Bunde
Chairman, Senate Labor & Commerce Committee
Alaska State House of Representatives
State Capitol, Room 506
Juneau, AK 99801-1182

Dear Chairman Bunde and Members of the Committee:


The Workers' Compensation Committee of Alaska (WCCA) is comprised of representatives of large and small Alaska employers, both those who are self-insured and those who purchase workers' compensation insurance, as well as insurers, insurance adjusters, brokers, and attorneys who represent employers before the Alaska Workers' Compensation Board.

It is the mission of WCCA to promote the quick, efficient, fair and predictable delivery of indemnity and medical benefits to injured workers at a reasonable cost to the employers who are subject to the Alaska Workers' Compensation Act. We meet regularly, work to educate employers regarding workers' compensation laws, play an active role in rate-making matters, monitor regulations relating to the insurance industry, work toward legislation that will improve the workers' compensation process, and through our membership in the Ad-hoc Committee, serve as the employers' representatives and liaison to labor.

WCCA has had an opportunity to review the bills (SB 311 and HB 450) currently before the Labor and Commerce Committees of the Alaska legislature. While not perfect, we believe these bills will significantly improve the workers' compensation process in Alaska, in a manner that will be fair to all participants. We believe the bills, if passed, will enhance the professionalism of the Board and provide for a more prompt resolution of disputed claims.

WCCA therefore supports passage of SB 311 and HB 450, and urges a vote in favor of the bills by the members of the Committee.

Sincerely,


Judith A. Peterson
President, WCCA

Cc: Members of Committee

Ocean Beauty Seafoods, Inc.

Statement of Support for CSSB 311 (JUD)

Workers' Compensation Reforms

Ocean Beauty Seafood, Inc. is one of the state's largest on shore fish processors with nine processing facilities in Southeast, South central, and Western Alaska.

Workers' compensation insurance is one of our major operating expenses. The cost of workers' compensation insurance has been increasing and is forecasted to rise even faster for the next several years. Given the challenges in the salmon market created by competition from farmed fish and global economic problems, we are very sensitive to increased costs in our business.

Ocean Beauty has been meeting with other state legislatures, including Oregon and California, on similar workers' compensation issues. Oregon has already implemented a system similar to that included in CSSB 311 (JUD), and it is working well. California, where workers' compensation costs are escalating at an alarming rate, is also considering major changes in its system.

We support the proposed legislation as it would make the workers' compensation system more predictable and efficient.

We do not view the legislation as a diminishment of benefits to our employees, nor does the Alaska Department of Labor & Workforce Development.

We do believe CSSB 311 (JUD) will have a beneficial impact on our future ability to secure workers' compensation insurance in the Alaska market and hopefully at rates which will allow us to continue to do business in an important, but low margin industry.

Ocean Beauty Seafoods, Inc. would like to thank the Murkowski Administration for drafting and proposing this legislation. We urge the Legislature to pass CSSB 311 (JUD) this session in its current form.

Thank you for your consideration of our views.



ALASKA

National Federation of Independent Business

Statement of Support for CSSB 311 (JUD)

Workers Compensation

April 17, 2004

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

NFIB supports SB 311 that makes important changes to the workers compensation system. These changes will result in a more efficient system with better consistency in decisions. This will be a plus for employers, injured workers as well as the insurance companies that write workers compensation insurance in Alaska.

In the current system, hearing panel appeals go to the Superior Court who are not experts in Workers Compensation law. Their decisions are inconsistent and are not precedent setting. Appeals to the Supreme Court are precedent setting. This system has been costly for employers and insurers and has delayed resolution of claims for employees.

The new system creates a more experienced hearing panel consisting of one labor, one industry and one hearing examiner. Appeals would go to the Workers Compensation Commission made up of 3 members with experience in practicing workers compensation law in Alaska. Commission decisions would set legal precedent unless overturned on appeal by the Alaska Supreme Court. The Workers Compensation Commission replaces the inconsistency of the Superior Court. This will result in a more fair and efficient process with improved consistency.

It is important for business to know what the rules are and have them applied consistently. This bill helps accomplish that for the workers compensation system.

Vote YES on SB 311

Submitted by Thyas Shaub on behalf of NFIB/Alaska.

CAPITAL NOTES



www.alaskachamber.com

Wednesday, April 21, 2004

WORKERS' COMPENSATION SYSTEM REVISION AT CRITICAL POINT FOR BUSINESS

SB 311, Insurance and Workers' Compensation System, makes important changes to the Workers' Compensation System that will ensure greater consistency and predictability of workers' compensation decisions and will lead to lower insurance costs.

In the current system, a hearing panel comprised of a representative of labor, one of management and a

hearing officer hear disputed claims. There are more than 300 combinations of panel members and hearing officers who decide cases without being aware of previous findings in similar cases and without being required to look at previous decisions. The result is a lack of consistency and predictability of decisions. Appeals of panel decisions are heard by the Superior Court and may be further appealed to the

Supreme Court, with no deference given to the lower court's decision. The current process is time consuming, inefficient, and costly.

SB 311 changes the current system by providing more highly trained hearing officers and replaces the Superior Court at the appellate level with a new Workers' Compensation Appeals Commission comprised of three legal professionals with significant experience in Alaska workers' compensation law. Their sole job will be to decide workers' compensation claims and their decisions will set legal precedent until and unless overturned by the Supreme Court. The new process will be quicker and yields more consistent and predictable results.

The bill has passed Senate Labor & Commerce and Senate Judiciary Committees and will be heard this week in Senate Finance. ASCC members are encouraged to contact their Senators and urge their support for SB 311. Follow this nomenclature to e-mail your Senator: Senator_First_Last@legis.state.ak.us

IMPORTANT: This bill is dead unless it is heard by House Labor & Commerce in the next week, so Committee Chair, Rep. Tom Anderson, must be urged to put SB311 on his committee schedule ASAP!

Alaska State Chamber of Commerce Business AGENDA		
Bill #	Description	Status
SB311, HB450	Workers Comp. System reform that will ensure greater consistency and predictability of workers' comp. decisions and will lead to lower insurance costs.	SB311 in Senate Finance, HB450 held in House L&C
SB323	Prevents "double dipping" by workers collecting workers comp. from employers, then suing other companies associated with project via tort claims.	Passed Senate 4/21 Likely in House L&C next week
SB276, HB403	Increases the Alaska Insurance Guaranty Association's assessment cap on workers comp. and provides tools to increase funds to pay claims of insolvent insurance companies.	Both in House Finance to be heard on 4/22
SB203	Establishes a central hearing panel for administrative hearings.	In House Finance
HB424, SB287	Provides legal review of proposed regs prior to seeking public comment and reviews for consistency, clarity and conformity to statute.	HB424 passed house, both now in Senate Finance
SB333, HB533	Known as "Jaws of Life," allows court to decide regulatory appeals if unreasonable agency delay.	In Senate Finance
HB305	Increase maximum weekly benefit amount of unemployment benefits; increases disqualification period for claimants unemployed who are fired for cause or voluntarily quit.	Passed House in '03 Now in Senate L&C
HB255	Wages: training/flex-time/defines "white-collar" over-time	In House Finance

A PERIODIC LEGISLATIVE UPDATE FROM THE ALASKA STATE CHAMBER OF COMMERCE

NORTH SLOPE BOROUGH

DEPARTMENT OF ADMINISTRATION AND FINANCE

P.O. Box 69

Barrow, Alaska 99723

Phone: (907) 852-0240

Fax: (907) 852-0245

A. John Ames, Director



April 27, 2004

Representative Reggie Joule
State Capital
Room 405
Juneau, AK 99801-1182

Re: Senate Bill 276
Senate Bill 311

Dear Representative Reggie Joule:

The North Slope Borough is concerned with the status of the Workers' Compensation system in the State of Alaska. We are counting on the fact that the legislature will quickly realize the importance both of these bills and pass them through the various committees to Governor Murkowski for his signature.

Senate Bill 276

The North Slope Borough, the North Slope Borough School District and other organizations conducting business within our boundaries were insured with Industrial Indemnity, which, through an acquisition, became Fremont Indemnity Company. While I cannot state for certain the value of the claims that have not been resolved for the North Slope Borough School District, the value of the Borough's open claims with Fremont Indemnity Company exceeds \$50,000.

As a course of business, the North Slope Borough contracts with other parties for many services. In this process, we have accepted certificates of insurance showing that our contractors were also insured with the Industrial Indemnity/Fremont Indemnity Company. It would be foolish to believe that these contractors do not also have unresolved claims with Fremont Indemnity Company.

In the event that Senate Bill 276 is not passed by the legislature and signed into law it is quite certain that the Alaska Insurance Guaranty Association will be unable to pay these unresolved claims. The North Slope Borough would certainly bear the financial burden for the unresolved claims of its employees and, perhaps, the employees of its contractors if the contractor were unable to make such payments.

April 27, 2004
Representative Reggie Joule
Page Two

For these reasons and the impact the insolvency of the Alaska Insurance Guaranty Association could have on the Alaska business community, we respectfully request that the House Finance Committee, without any amendments, send Senate Bill 276 to the House Rules committee. It is our hope that the bill will then be forwarded to Governor Murkowski for signature and enactment.

Senate Bill 311

The cost of the North Slope Borough's Workers' Compensation policies has increased significantly over the past few years. This is in a time when our payrolls have decreased due to the reduction in the programs and services offered by the borough.

The attached chart shows the changes in our Workers' Compensation rates over the past five years. When comparing Fiscal Year 2000 to what we will be paying in Fiscal Year 2005 (beginning on July 1, 2004) the changes in the rates are quite dramatic when you compare FY 00 to FY 05.

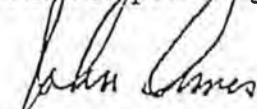
In speaking with our brokers, insurers, adjusters and legal counsel it appears that the problems within the Workers' Compensation Act are numerous. It is our opinion that Senate Bill 311 could be the first step in reforming the act. Reformation may, and most likely will, result in rates being stabilized if not decreased in the next few years. Without such reform we may be forced to further reduce programs and services simply to comply with the statutes regulating Workers' Compensation for employers.

We respectfully request that you work with your colleagues in passing this bill out of committee(s) and forward to Governor Murkowski for signature.

Thank you for your attention to this matter.

Sincerely,

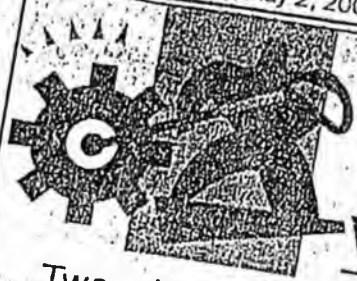
North Slope Borough



A. John Ames
Director of Administration and Finance

North Slope Borough
Historic Workers' Compensation Rates per \$100 of Payroll

Class Code	FY 2000 Rates	FY 2001 Rates	FY 2002 Rates	FY 2003 Rates	FY2004 Rates	FY2005 Rates
3365	\$14.01	\$14.81	\$16.16	\$17.54	\$23.32	\$27.58
5183	\$4.33	\$5.10	\$5.62	\$6.90	\$9.63	\$12.98
5190	\$5.16	\$5.50	\$6.10	\$7.38	\$10.63	\$13.96
5403	\$9.31	\$9.03	\$9.88	\$10.83	\$13.18	\$15.22
5474	\$8.17	\$8.25	\$9.02	\$10.08	\$15.33	\$17.91
5509	\$10.47	\$8.59	\$9.19	\$9.41	\$9.91	\$9.27
5606	\$1.70	\$1.72	\$1.89	\$2.18	\$3.01	\$3.70
5610	N/A	N/A	\$7.98	\$8.81	\$11.66	\$12.40
5645	\$10.61	\$12.17	\$13.21	\$17.17	\$24.80	\$28.20
5651	N/A	N/A	\$9.37	\$10.62	\$13.54	\$18.72
6217	\$7.93	\$8.57	\$9.37	\$12.62	\$20.43	\$21.49
6319	\$6.26	\$6.24	\$6.79	\$8.34	\$10.51	\$9.83
7219	\$9.70	\$8.83	\$9.68	\$12.10	\$14.72	\$19.17
7231	N/A	N/A	\$9.79	\$10.75	\$12.02	\$13.74
7370	\$5.44	\$4.96	\$5.41	\$6.16	\$7.96	\$10.81
7380	\$4.54	\$4.80	\$5.25	\$6.08	\$7.67	\$9.69
7382	\$6.59	\$6.45	\$6.91	\$6.77	\$7.62	\$8.25
7414	\$7.41	\$7.31	\$8.12	\$9.44	\$11.44	\$11.42
7422	\$5.87	\$4.40	\$5.09	\$5.87	\$6.91	\$7.20
7520	\$3.45	\$3.48	\$3.78	\$4.93	\$6.47	\$7.40
7539	\$3.50	\$3.35	\$3.68	\$4.77	\$6.21	\$8.43
7580	\$2.07	\$2.20	\$2.41	\$3.04	\$3.97	\$5.17
7590	\$7.85	\$7.05	\$7.63	\$8.70	\$11.27	\$12.47
7704	\$5.10	\$5.19	\$5.64	\$5.52	\$6.42	\$8.70
7720	\$3.66	\$3.23	\$3.52	\$3.45	\$3.97	\$4.65
8227	\$4.36	\$4.36	\$4.81	\$6.48	\$9.87	\$12.68
8292	N/A	N/A	\$4.73	\$5.66	\$7.98	\$11.64
8350	N/A	N/A	\$4.73	\$5.70	\$9.20	\$11.21
8380	\$4.07	\$3.92	\$4.27	\$4.80	\$6.86	\$8.30
8742	\$0.65	\$0.55	\$0.60	\$0.68	\$0.93	\$1.11
8810	\$0.49	\$0.50	\$0.55	\$0.57	\$0.83	\$1.16
8829	\$5.79	\$6.75	\$7.23	\$8.72	\$14.60	\$18.41
8831	\$1.56	\$1.72	\$1.83	\$2.10	\$2.96	\$3.79
8832	\$0.69	\$0.77	\$0.83	\$0.87	\$1.05	\$1.57
8833	\$2.05	\$2.01	\$2.14	\$1.99	\$2.86	\$3.43
8835	\$3.33	\$3.81	\$4.12	\$3.81	\$4.27	\$5.67
9015	\$4.80	\$4.69	\$5.05	\$5.68	\$7.67	\$12.11
9040	\$4.95	\$4.87	\$5.21	\$4.60	\$4.97	\$7.70
9058	\$3.22	\$3.06	\$3.30	\$3.09	\$4.16	\$4.95
9061	\$2.39	\$2.52	\$2.71	\$2.70	\$3.75	\$5.12
9064	N/A	N/A	\$0.87	N/A	N/A	\$2.84
9078	\$3.95	\$4.03	\$4.48	\$4.84	\$6.91	\$9.86
9402	\$10.34	\$11.46	\$12.37	\$12.10	\$11.94	\$16.19
9403	\$8.98	\$10.10	\$11.16	\$12.29	\$15.26	\$18.44
9410	\$2.28	\$2.23	\$2.43	\$2.50	\$3.49	\$4.05



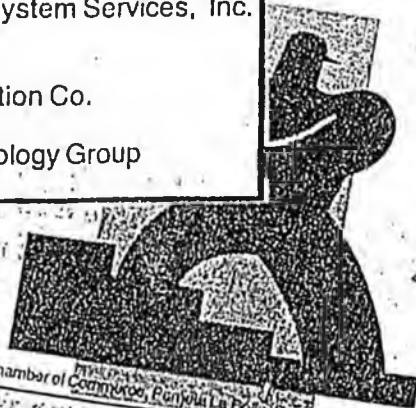
KEEP ALASKA WORKERS' COMPENSATION VIABLE for BUSINESS and WORKERS!!

Two critical bills the Legislature needs to pass this session are SB 276 and SB 311 to protect Alaska workers and employers. The first is necessary to ensure that legitimately injured workers continue to receive the benefits to which they are entitled. The other adopts changes to Alaska's Workers' Compensation statutes to make the system fair, predictable and more efficient for workers and employers.

Contact your legislators and ask for their support TODAY!
Find email and phone information for legislators at www.legis.state.ak.us

The following businesses support SB 276 and SB 311 and thank the Murkowski administration for leadership in proposing these bills and for seeking reasonable compromises among insurers, businesses and labor.

- | | |
|---|--|
| ACS Consulting | Juneau Raquet Club |
| Alaska Business Monthly | Kenai Chrysler |
| Alaska Commercial Company | KRK Management |
| Alaska Independent Insurance Agents and Brokers | Liberty Northwest |
| Alaska Laundry and Cleaners | Living Visions, LLC |
| Alaska Marine Lines | Lynden Air Cargo |
| Alaska Municipal League Joint Insurance Association | Lynden Air Freight |
| Alaska State Chamber of Commerce | Lynden Logistics |
| Alaska USA Federal Credit Union | Lynden Transport |
| Alaska West Express | Mendenhall & Associates |
| Anchorage Chamber of Commerce | North Pacific Processors |
| Anchorage Sand & Gravel Company | North Star Terminal & Stevedore Co. |
| Aspen Hotels of Alaska | Northwest Technical Services |
| ASRC Energy Services | Nugget Outfitters |
| Bering Marine Corporation | Ocean Beauty Seafoods, Inc. |
| Capital Chevrolet | Patton Boggs LLP |
| Chugach Electric Association | Providence Health System in Alaska |
| Cindy Cashen | R&M Consultants |
| Coastal Helicopters | Redi Electric Inc. |
| Copy Express | Russell Shaub |
| Denali Drilling | Service Auto Parts, Inc. |
| Don Gilman | Shaub & Associates |
| Doyon Universa! Services | Spenard Builders Supply |
| Era Aviation, Inc. | Superior Plumbing & Heating |
| First National Bank Alaska | TelAlaska |
| Flint Hills Resources | The Fairweather Companies |
| Great Bear Ford | Udelhoven Oilfield System Services, Inc. |
| Harbor Adjustment Service | UNIT Company |
| Hyak Mining Company | Veco Corporation |
| Icicle Seafoods | Watterson Construction Co. |
| Inlet Petroleum | Weaver Bros., Inc. |
| | WebWeavers Technology Group |
| | Willis of Alaska, Inc. |



WORKERS' COMPENSATION SYSTEM NEEDS . . .

Overhaul

THERE IS MUCH to do as this legislative session approaches its final days, and among the measures that need attention is one that would overhaul the state's out-of-whack workers' compensation system.

The Senate's CSSB311 would do away with the Workers' Compensation Board and its hearing officers and replace them with a Workers Compensation Hearings Board and more-qualified hearing examiners.

The new system would set up a Division of Workers' Compensation and a three-member Workers' Compensation Appeals Commission to build in consistency and predictability. The commissioners — lawyers appointed by the governor and confirmed by the Legislature — would supervise workers' compensation hearing examiners, also lawyers, and hear appeals from the hearing panels.

Commissioners would be able to review evidence de novo, or without resorting to a full hearing, and correct errors by the hearings board. That has been a sticking point for labor interests up until now. Further appeals would go directly to the Alaska Supreme Court.

THE WAY things are now, the Workers' Compensation Board assigns a three-member panel to hear a case, and that trio decides the matter, with appeals going to the Superior Court and then the Supreme Court. The problem? The process is time-consuming and there is little to no consistency in outcomes, as each panel can view the law differently and the Superior Court judges do not set precedent or publish their workers' compensation decisions.

The result is a mish-mash of labor law decisions and helter-skelter outcomes for workers, in addition to increased costs for large and small businesses alike.

The proposed changes would allow the three-member commission, rather than dozens of Superior Court judges, over time to build a body of consistent labor law in Alaska.

All of this is necessary because Alaska's current antiquated system makes it expensive and difficult for insurance companies to compete here, and it has worked to reduce the number of carriers in Alaska.

Increased medical costs, the length of time necessary to settle cases and the sheer number of claims all work to make Alaska unattractive. By some accounts, workers' compensation insurance carriers are annually losing 5 percent more in Alaska than the national average.

Add to all that the increasing costs of the "unassigned risk pool" where employers, required to carry workers' compensation insurance, can get insurance when it is unavailable to them in conventional markets. Losses there are shared by all insurance companies doing business in Alaska. State officials say Alaska has posted the highest losses in its assigned risk pool of all the other states.

The Senate measure has been transmitted to the House. It deserves a vote. Alaska's businesses and workers deserve no less.

Michael T. Kenny, Principal Executive Officer

GENERAL TEAMSTERS520 E. 34th Avenue
Anchorage, Alaska 99503**LOCAL 959**
State of Alaska751 Old Richardson Hwy., Suite 127
Fairbanks, Alaska 99701

May 7, 2004

Representative Tom Anderson
Chair, Labor and Commerce Committee
State Capitol Building
Juneau, AK 99801-1182

Re: Senate Bill 311

Dear Tom:

On behalf of over 7000 members represented by Teamsters Local 959 within this state, as well as those many unrepresented workers, we wish to express our objections to the passage of SB 311. As you may be aware, this bill has gone through several changes, and we appreciate the time this administration has put forth to that end. We believe the changes made thus far have only helped make a bad bill a little better, not only for the injured worker, but for the companies and insurance companies disputing the claimant. All of us have seen and felt the increased cost of worker's compensation insurance. Our Local and Trust employ sixty staff members. As with other employers, we are required to carry coverage for each employee. We share, and will continue to share, the increased cost of worker's compensation, along with other employers in the state. Therefore, we have a common employer interest in the outcome of any legislation, not withstanding the impact on the injured workers.

Worker's compensation insurance was put in place to assist workers injured on the job. For this insurance, the worker has given up their right to sue for large jury awards in exchange for more modest but guaranteed compensation, medical bills, and permanency. Employers gave up their cozy system of fault-based liability in exchange for a no-fault system, which placed limits on the amount of money they would be required to pay the injured worker. The basic objectives of workers compensation laws are to:

Provide swift and certain income, as well as medical benefits, to the victim of work accidents or income benefits to their dependents, regardless of fault.

To provide a single remedy and reduce court delays, costs, and workloads arising out of personal injury litigation.

www.akteamsters.com

• Anchorage (907) 565-8122 • Fairbanks (907) 452-2959 • Juneau (907) 586-3225 • Kenai (907) 283-4498 • Kodiak (907) 486-8818
• Fax (907) 565-8265 • Fax (907) 452-5051 • Fax (907) 586-1227 • Fax (907) 283-8030 • Fax (907) 486-8818

Representative Tom Anderson
May 7, 2004
Page 2.

To relieve public and private charities of financial drains incidental to uncompensated industrial accidents.

Eliminate payment fees to lawyers and witnesses, as well as time consuming trials and appeals.

While some have stated the system is "broke", there have been no statistics introduced to support this allegation. In point of fact, the statistics would argue the system is not "broke." For example, over the five-year period between 1999 and 2003, the board issued 1363 decisions and orders, excluding petitions. Total appeals during that time were 189, or 13.2%. Reversals from the Supreme Court were 25, or 1.89%. I am sure there are many administrative law systems out there which would like to boast such statistics.

We believe it is extremely difficult to realize appreciable savings from a bill that only seeks to find efficiencies in such a tiny percentage of cases. While efficiency reform may be a good idea in and of itself, the number of cases that will benefit from the efficiencies in this bill are simply too small to bring about savings significant enough to have any impact on worker's compensation insurance rates.

With that being said, there are some good revisions in this bill. For example, the first seven sections of the bill we can support. We believe this will help keep the Alaska Guaranty Association solvent. This is good for injured workers, and in the long run, employers as well.

The bill also increases the qualifications of the hearing officers; all will be required to have passed the Alaska Bar Exam. The hearing officers will be tasked with instructing the panel members under the proposed bill, much like a judge instructs a jury. This change, in and of itself, assures more consistency to decisions, if that is a current problem. The hearing officer salary is also increased under this bill, to a range 24. This should enhance the stability of the workforce, as well as draw more applicants with interest and experience in worker's compensation.

The bill further requires all three members of the hearing panel, composed of a hearing officer and two members of the board, be present to conduct a hearing.

The bill separates the administrative and adjudicative function and establishes a worker's compensation division. While the division has been doing the work, it has not codified in statute. The board has simply delegated those administrative functions.

Under this bill, the division will also have the ability to fine employers who do not purchase workers's compensation insurance.

03/07/2004 10:37 387383263 PAGE 04/03

Representative Tom Anderson
May 7, 2004
Page 3.

While those changes are good, and probably necessary, the administration has continued in this bill to further overhaul the worker's compensation system, under the guise that it will reduce insurance rates and assure more consistent and predictable decisions.

The administration's main argument is that the restructured worker's compensation system will produce a cost savings due to more consistent and predictable results in contested cases. The touchstone of this argument is the creation of the appeals commission. Herein lies the disagreement.

As originally introduced, this bill had no sidebars on the governor's appointment of the commissioners. Any three Alaska lawyers, with at least five years of active practice and some "experience" with worker's compensation law, would qualify for consideration. After many of us raised complaints that a lack of balance between labor and management on the commission would lead to distrust of their decisions, the administration agreed to compromise. They agreed to constitute the commission in much the same manner as the current worker's compensation panels are constituted. That is, one member from labor, one from industry, and the third being the hearing officer.

Although we would have preferred the potential candidates come through the judicial council, we believed this compromise was at least an improvement. With the action most recently taken by the governor in appointing a thirty-year management representative to the vacant labor seat on the Alaska Labor Relations Board, there is some concern. There is a saying that the best prediction of future behavior is past behavior. With the added layer of legislative approval, hopefully that future behavior will be remedied.

Let's go back to the idea of cost savings through consistent and predictable decisions. If the consistent and predictable decisions result in the same level of awards as are currently being paid, there will be no cost savings. Surely there will not be any savings if the awards are consistently and predictably higher.

Therefore, the only way that consistency and predictability will result in a cost savings is if awards to injured workers are lower than currently paid. The only way to assure this is by stacking the appeals commission and giving it the power to set binding precedents, so that its decisions affect thousands of cases, and not only those that come before it.

Mr. Chairman, while this bill does not expressly reduce worker's compensation awards to injured Alaskans, that is in fact where the savings will come from. This will turn the now trusted worker's compensation system on its head. If workers don't trust the system to be fair the will be more, not less, litigation. If the employers feel they have another bite at the apple, they will appeal also. We believe such would be the case by allowing the "de novo" review in Section 64 of this bill.

05/07/2004 14:03 0073858183
PAGE 02/02
Representative Tom Anderson
May 7, 2004
Page 4.

While we reluctantly agreed to drop the Superior Court review, a system already in place and void of political influence from one administration to the next, we have major disagreement on the amount of power of discretion given to the Appeals Commission. The de novo review must be removed from this bill. It has been stated that this bill was not intended to change any worker's compensation laws. If that is the case, then this politically-appointed Appeals Commission should have only limited power to review decisions of the hearing panel to ensure their decisions are supported by substantial evidence, as the courts do now.

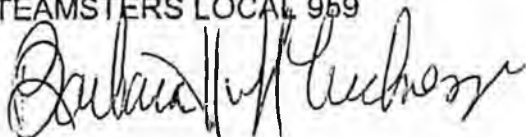
To allow the Appeals Commission to disregard a panel decision and hear the case anew will encourage delay, more costly litigation, and increased attorney costs, at the expense of widows, injured workers, and all Alaskan employers.

In summary, while we agreed to add an additional layer of high-paid government employees to the state payroll in the form of the Appeals Commission, we cannot agree that this politically-appointed Appeals Commission should have the same power vested in them that impartial Superior Court judge would have. We therefore ask that the Appeals Commission be removed, in light of all the other changes incorporated into this bill, and that the appeal to Superior Court remain. Or, if this committee believes the state needs to bring on an additional layer of politically-appointed employees, then we ask the de novo review be removed from the Appeals Commission.

Without changes to this bill, we cannot support it, and ask that you and the members of your committee vote "no" on its passage.

Sincerely,

TEAMSTERS LOCAL 959



Barbara Huff Tuckness
Director of Legislative and Government Affairs

BHT/050704

c: Vice-Chairman Carl Gatto
Representative Nancy Dahlstrom
Representative Bob Lynn
Representative Norm Rokeberg
Representative Harry Crawford
Representative David Guttenberg
Michael T. Kenny

AFLCIO

2002 ANNUAL REPORT
RATIO OF PAY TYPE
TO TOTAL PAYMENTS

	1993	1994	1995	1996	1997
Medical	60,047,202 43.33%	62,205,607 46.28%	57,717,435 44.24%	62,751,359 44.95%	67,672,646 46.76%
TFD	24,036,463 17.34%	23,462,515 17.45%	25,183,229 19.30%	27,084,382 19.40%	28,171,772 19.47%
TPD	913,724 0.66%	890,470 0.66%	968,922 0.74%	865,035 0.62%	797,399 0.55%
PPI(PPD)	23,547,471 16.99%	21,441,007 15.95%	21,563,022 16.53%	20,546,073 14.72%	18,508,016 12.79%
PTD	4,385,963 3.16%	3,128,156 2.33%	3,523,215 2.70%	4,305,977 3.08%	4,336,892 3.00%
Penalty	148,783 0.11%	131,806 0.10%	283,977 0.22%	141,584 0.10%	260,193 0.18%
SIF	3,569,260 2.58%	2,536,356 1.89%	2,499,489 1.92%	2,818,651 2.02%	2,355,128 1.63%
DthBenefits	4,312,049 3.11%	4,204,661 3.13%	2,906,319 2.23%	3,086,755 2.21%	3,147,247 2.17%
Plan Eval				842,969 0.60%	1,016,651 0.70%
R.S. Fees	2,061,074 1.49%	1,561,482 1.16%	1,350,520 1.04%	490,976 0.35%	663,668 0.46%
Plan Monitor				339,993 0.24%	284,409 0.20%
Plan Costs	842,670 0.61%	668,179 0.50%	764,117 0.59%	597,035 0.43%	655,858 0.45%
Wage 41(k)	3,321,362 2.40%	3,346,410 2.49%	3,048,760 2.34%	4,586,513 3.29%	5,935,863 4.10%
Interest	50,263 0.04%	4,160 0.00%	16,099 0.01%	39,440 0.03%	99,016 0.07%
Ee Atty	1,939,819 1.40%	1,811,531 1.35%	1,509,331 1.16%	2,053,463 1.47%	2,006,037 1.39%
Er Atty	5,716,106 4.12%	5,688,280 4.23%	5,171,791 3.96%	5,768,596 4.13%	5,833,955 4.03%
Lit. Costs	1,569,785 1.13%	1,428,870 1.06%	1,176,065 0.90%	1,088,785 0.78%	963,094 0.67%
Other	2,117,487 1.53%	1,913,586 1.42%	2,779,064 2.13%	2,186,135 1.57%	2,004,079 1.38%
Total	138,579,481	134,423,076	130,461,355	139,593,721	144,711,923

2002 ANNUAL REPORT
RATIO OF PAY TYPE
TO TOTAL PAYMENTS

	1998		1999		2000		2001		2002	
Medical	64,190,075	45.70%	70,290,812	47.10%	81,102,934	48.98%	95,601,591	49.62%	106,577,666	50.60%
TTD	24,187,575	17.22%	26,236,078	17.58%	29,089,884	17.57%	36,450,645	18.92%	36,690,714	17.42%
TPD	1,164,561	0.83%	1,037,210	0.69%	1,095,667	0.66%	1,279,734	0.66%	1,489,050	0.71%
PPI(PPD)	16,776,163	11.94%	17,753,216	11.90%	17,760,993	10.73%	19,830,312	10.29%	22,387,335	10.63%
PTD	4,760,662	3.39%	5,475,876	3.67%	4,681,437	2.83%	4,948,657	2.57%	4,683,971	2.22%
Penalty	165,096	0.12%	229,100	0.15%	201,498	0.12%	331,721	0.17%	354,989	0.17%
SIF	3,395,574	2.42%	2,561,261	1.72%	2,780,605	1.68%	3,374,140	1.75%	3,700,620	1.76%
DthBenefits	4,569,732	3.25%	4,247,483	2.85%	4,601,417	2.78%	4,182,768	2.17%	3,264,390	1.55%
Plan Eval	754,822	0.54%	1,097,997	0.74%	2,285,233	1.38%	1,535,866	0.80%	1,697,589	0.81%
R.S. Fees	843,133	0.60%	755,453	0.51%	550,323	0.33%	608,472	0.32%	843,839	0.40%
Plan Monitor	202,363	0.14%	492,594	0.33%	325,853	0.20%	645,511	0.34%	706,684	0.34%
Plan Costs	853,144	0.61%	819,070	0.55%	1,289,969	0.78%	1,825,004	0.95%	1,820,918	0.86%
Wage 41(k)	6,127,190	4.36%	6,376,051	4.27%	7,734,349	4.67%	8,521,781	4.42%	10,680,160	5.07%
Interest	137,952	0.10%	31,639	0.02%	108,458	0.07%	59,236	0.03%	83,313	0.04%
Ee Atty	2,100,720	1.50%	2,339,815	1.57%	2,626,647	1.59%	2,840,032	1.47%	2,676,574	1.27%
Er Atty	5,848,025	4.16%	5,628,394	3.77%	5,654,508	3.41%	5,728,040	2.97%	7,060,476	3.35%
Lit. Costs	2,318,344	1.65%	860,880	0.58%	992,594	0.60%	805,221	0.42%	1,214,530	0.58%
Other	2,065,222	1.47%	3,015,990	2.02%	2,716,638	1.64%	4,085,900	2.12%	4,678,338	2.22%
Total	140,460,353		149,248,919		165,599,008		192,654,631		210,611,156	

ER Atty



Alaska First
C O M M U N I T Y
BANK & TRUST

Ron Kukes
President and
Chief Executive Officer

3301 C Street
Anchorage, AK 99503
907-644-1223
fax 907-561-7600
ron@libank.com

May 7, 2004

Representative Tom Anderson
Labor & Commerce Chairman

Dear Representative Anderson:

I support SB 311, the bill which makes important changes to the workers compensation system. Wherever we can add efficiencies coupled with improved consistency in the decision-making process, it only makes sense to approve such a measure. This bill provides benefits to employers, injured employees and the insurance companies that write the workers compensation policies in Alaska.

Please vote YES on SB 311.

Sincerely



ALASKA

National Federation of Independent Business

Statement of Support for SB 311

Workers Compensation Program Reform

May 7, 2004

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

NFIB supports SB 311 that makes important changes to the workers compensation system. These changes will result in a more efficient system with better consistency in decisions. This will be a plus for employers, injured workers as well as the insurance companies that write workers compensation insurance in Alaska.

In the current system, hearing panel appeals go to the Superior Court who are not experts in Workers Compensation law. Their decisions are inconsistent and are not precedent setting. Appeals to the Supreme Court are precedent setting. This system has been costly for employers and insurers and has delayed resolution of claims for employees.

The new system creates a more experienced hearing panel consisting of one labor, one industry and one hearing examiner. Appeals would go to the Workers Compensation Commission made up of 3 members with experience in practicing workers compensation law in Alaska. Commission decisions would set legal precedent unless overturned on appeal by the Alaska Supreme Court. The Workers Compensation Commission replaces the inconsistency of the Superior Court. This will result in a more fair and efficient process with improved consistency.

It is important for business to know what the rules are and have them applied consistently. This bill helps accomplish that for the workers compensation system.

Vote YES on SB 311

Submitted by Thyres Shaub on behalf of NFIB/Alaska.

STEVEN CONSTANTINO

ATTORNEY AT LAW

738 "H" Street – Suite 300
Anchorage, Alaska 99501
Telephone (907) 569-2667
Facsimile (907) 569-2668

7 May 2004
VIA FACSIMILE

Representative Anderson
Chair – House Labor & Commerce Committee
Alaska Legislature
Juneau, Alaska
FAX (907) 465-2418

RE: CSSB 311(JUD) – Workers Compensation

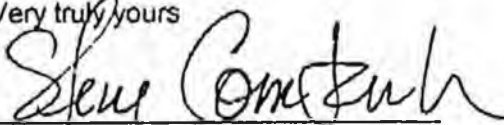
Dear Representative Anderson:

I am among several people who spent much of the afternoon in the Legislative Information Offices in Anchorage waiting for the House Labor and Commerce Committee to take up consideration of CSSB 311(JUD). I am keenly interested in this legislation. I wanted an opportunity to testify on this bill, listen to the testimony of the other witnesses, and observe the Committee's actions. I believe this to be my right as a citizen of Alaska. I appreciate that Committee members have other legislative duties, particularly at the end of session, but I wanted to note my objection to your action in formally adjourning the House Labor and Commerce Committee while "subject to the call of the chair."

The people of Alaska now have no way of knowing when the House Labor and Commerce will resume taking testimony or act on CSSB 311. I believe this action violates the public notice requirements and the 24-hour notice rule. Having formally adjourned the committee meeting, I question whether any actions the committee might now take on CSSB 311 without giving the public 24 hours prior notice of a new meeting will be lawful.

Please include this statement in the Committee's official record.

Very truly yours



Steve Constantino

Subject: CS for SB 311

Date: Fri, 7 May 2004 10:54:32 -0800

From: "Murray, Dennis" <Dennis.Murray@bannerhealth.com>

To: <Representative_Tom_Anderson@legis.state.ak.us>

CC: <Representative_Nancy_Dahlstrom@legis.state.ak.us>, <Representative_Norman_Rokeberg@legis.state.ak.us>, <Representative_Bob_Lynn@legis.state.ak.us>, <Representative_Carl_Gatto@legis.state.ak.us>, <Representative_Harry_Crawford@legis.state.ak.us>, <Representative_Mike_Chenault@Legis.state.ak.us>, <Representative_Kelly_Wolf@legis.state.ak.us>

Dear Rep. Anderson:

I would very much want to support the passage of CS for SB 311 in its current amended form as it passed the Senate. This is a major re-write of the Worker's Compensation System which is badly needed if Alaska is to join the remainder of the states in crafting a system that is balanced and fair. The current system is replete with problems and is too politicized. This legislation would greatly help by creating a Commission to adjudicate the disputes between workers, their employers and the insurers.

I know you have it up for consideration in your committee. Please pass it out today.

Thanks.

Dennis Murray, Administrator

Heritage Place Nursing Facility

Subject: SB311

Date: Fri, 07 May 2004 12:19:59 -0800

From: Baker Household <bakerhome@gci.net>

To: Representative_Tom_Anderson@legis.state.ak.us

Dear Tom,

We feel strongly that this bill should be moved out of committee to get on the calendar immediately. We must have a bill to provide some relief of rate stabilization and have claims managed according to a consistent plan. Please do all you can to move this Bill SB311.

Sincerely,

Kathe Weber-Baker

Subject:

Date: Fri, 7 May 2004 14:34:58 -0800

From: "Millie Gibson" <milliegibson@wattersonconstruction.com>

To: <Representative_Tom_Anderson@legis.state.ak.us>

CC: <Representative_Carl_Gatto@legis.state.ak.us>,
<Representative_Nancy_Dahlstrom@legis.state.ak.us>,
<Representative_Norman_Rokeberg@legis.state.ak.us>,
<Representative_Bob_Lynn@legis.state.ak.us>,
<Representative_Harry_Crawford@legis.state.ak.us>,
<Representative_David_Guttenberg@legis.state.ak.us>,
<Representative_Pete_Kott@legis.state.ak.us>

Dear House Labor and Commerce Committee;

This is to inform you that Watterson Construction Co. supports bill SB311 Workers' Compensation System Reform. It would benefit all companies in Alaska to have a panel which has the knowledge of Alaska's Workman's Compensation Statutes. As the law stands now, many cases are ruled in the favor of the employee without any substantial evidence. While we support the

Workmen's Compensation program, the current laws encourage frivolous claims causing premiums to rise for all Alaskan Companies. Please contact us with any questions.

Sincerely,

Watterson Construction Co.

Bill Watterson

President

Sincerely,

Watterson Construction Co.

Millie Gibson

Safety Manager

May 8, 2004

Representative Anderson and the members of the House Labor and Commerce Committee:

My name is Lori Wing and I am the President of the Alaska Independent Insurance Agents and Brokers. Collectively, our association, the AIAB, represents in the insurance market, employers from Ketchikan to Barrow, from Kaktovik to Adak.

Our clients are governmental entities; privately held and publicly traded corporations; limited liability companies and joint ventures. They are for profit and not-for-profit. They are large and small. All together, they make-up the business community, the economic base, of the State of Alaska.

The past few years these employers have experienced significant increased costs in their Workers' Compensation programs. These increases do not reflect any corresponding increase in workplace hazards or change in the types of reported injuries or diseases. In fact, employers have successfully reduced the frequency of workplace injuries by almost 40% since 1990. Despite these safety gains, Workers' Compensation costs have continued to rise far faster than the medical inflation rate.

For those that purchased a traditional insurance product the cost is reflected in their insurance premium. For those self-insuring the cost is reflected in their direct payment of claims. Regardless, the employer is paying the cost. And with all due respect to Labor, I, nor any of my colleagues, have ever delivered a proposal for Workers' Compensation where the employer has told us that Labor was paying the bill.

Starting in 1911, Workers' Compensation laws were introduced as a covenant between employees and employers. Employees gave up their right to sue their employers for on-the-job injuries in exchange for fast and efficient wages-loss replacement, reasonable and necessary medical care and, when complete medical cure was not possible, disability awards to compensate for lost future earnings. Without this covenant, the entire US economy would be mired in endless litigation high expense and impaired productivity.

In light of these noble purposes, consider what is happening in California - Employers in that state will pay \$30 billion for Workers' Compensation coverage in 2004, up from \$9 billion in 1995.

In Alaska - rates have changed dramatically in the past years.

- Clerical (8810) rates up 40% this year/ up 81% since 1999;
- Hospital Employees (9040) up 54%;
- Sand and Gravel Digging (4021) up 35%;
- Contractors Supervisors (5606) up 22%;
- Restaurant Workers (9079) up 29%;
- Street or Road Construction (5516) up 37%;
- Roofers (5551), who took a modest increase of 4% this year, up 99% since 1999.

*4th Year
Alone*

Sometimes these increases are on jobs that have already been bid; work already in progress - there is no way for the contractor to recoup these additional costs.

What does this mean to the employer - these are actual examples of employers in Alaska: For these examples the payrolls are identical so that the premiums are apples to apples.

From the hospitality industry:

- A restaurant in Anchorage – last year \$73,000 but this year \$98,000.
- A restaurant/brew house – last year \$93,000 but this year \$123,000

From the construction industry:

- An Anchorage based small/medium size contract last year \$65,565 but this year \$93,482.
- An entity with locations in Anchorage and Fairbanks that supplies products to the building/construction industry last year \$269,000 but this year \$357,00.
- A contractor in Palmer last year \$285,000 but this year \$370,000,

But perhaps some of the hardest hit – those providing medical and social services:

- A hospital in Dillingham. Currently their WC premium is \$391,000 but when they renew later this year, without any changes in their payroll, their WC premium will be \$524,000.
- An organization providing services to mentally and physically disabled constituents and their families – this year \$492,000 but on renewal \$728,000.

Not
For
Profit

Yesterday, several of you asked if SB 311 would guarantee that these rate increases would not continue, you asked if the rates may go down. We cannot predict what impact this bill will have on the cost of Workers' Compensation – we cannot guarantee that this bill will result in costs going down – but with almost certainty we can guarantee that if you do not act, these rate increases will continue and the Workers' Compensation marketplace, as a whole, will get worse.

I cannot help but think that the employers would rather put this money into programs, safety programs, benefit and compensation packages rather than Workers'

Compensation premiums. I cannot help but think that the employees would rather have an increase in their salary or a better medical insurance program for their family.

The rise in Workers' Compensation costs is a national problem driven by local politics. Since state law regulates coverage closely, there are, in effect 50 separate systems as well as one for federal employees. Virtually all employers are required to participate in these systems, and they have little control over the benefits offered. Unlike health insurance, statutes fix all Workers' Compensation coverage, benefits, and dispute resolutions procedures. Workers' Compensation is not a negotiated benefit.

The AIIAB hopes that SB311 will allow Workers' Compensation costs to be quantified - defined once and for all allowing rate making organization and insurers to adequately trend and price the cost of Workers' Compensation making the recent/rate premium or claim cost increases or a portion of those costs unnecessary.

SB 311 does not limit or eliminate any benefit due an injured employee. But it may help reduce the cost WC to employers. It may help, and we believe that it will, make those corporations, governmental entities and other organizations from Ketchikan to Barrow, from Kaktovik to Adak remain viable, profitable Alaskan employers.

In deciding whether to pass this bill or not; how to respond to our Workers' Compensation crisis, we ask that you remember that at the current rate of growth, the employer's total costs of Workers' Compensation will exceed the employer's costs for social security in six years or less. This issue needs to be dealt with today - We, the AIIAB, respectfully request that you the members of the House Labor and Commerce Committee pass this bill out of committee and we ask that you work with your colleagues regardless if they are Republican or Democrat and deliver this bill to Governor Murkowski for signature.

As I finish, I want to leave you with one final example: this is a true example to show how the Alaska WC crisis at its best:

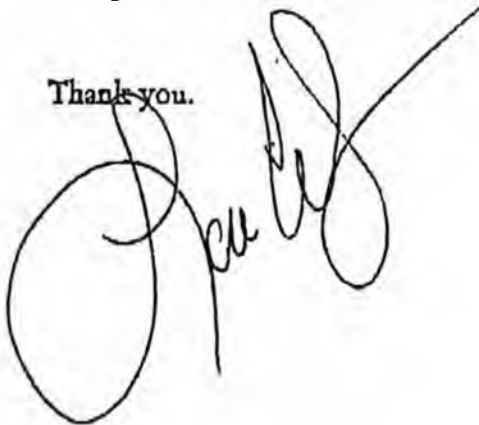
- A roofing company/a contractor in Alaska with a payroll of \$5,000,000 (and I am only using that portion that is truly roofing) - their WC premium today would be \$2,111,000.
- Another contractor doing security work, protecting buildings and people with a payroll of \$5,000,000 - their WC premium today is \$745,000.

I realize that there is a difference between a roofer and a security contractor - but what you don't know about this security contractor is that they are in Iraq - outside the green zone.

The rate for security in Iraq is considerably less than that of a roofer in Alaska.

I think that example alone proves that we are in the midst of a Workers' Compensation crisis in Alaska.

Thank you.

A large, stylized handwritten signature in black ink, appearing to be 'John' followed by a large flourish.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 311
(S) Publish Date: 2/09/04

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

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation revises AS 21 regarding state regulation of the insurance code by strengthening protections for consumers and restructuring the Board of the Alaska Insurance Guaranty Association. It also eliminates the cap on the assigned risk pool surcharge.

This legislation has no fiscal impact on the operations of the division.

Prepared by: Linda S. Hall, Director Phone (907) 269-7900
Division: Insurance Date/Time 2/5/04 3:36 PM
Approved by: Edgar Blatchford, Commissioner Date 2/5/2004
Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 311
(S) Publish Date: 2/09/04

Revision Date/Time (Note if correction): _____ Dept. Affected: LAW
Title An Act relating to improvements in the RDU Administration and Support
workers' compensation system Component Legislation and Regulations
Sponsor Rules
Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

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

POSITIONS

POSITIONS	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
This bill makes systemic improvements in the delivery of workers' compensation benefits and enforcement of workers' compensation insurance requirements. The bill improves the system adjudication of dispute.

Passage of this legislation would have no foreseeable fiscal impact on the Department of Law. In fact, the Department of Law believes that the systemic changes to the workers' compensation system will result in reduced claim administration costs over time.

Prepared by: Kathryn A. Daughetee, Director Phone 465-3673
Division: Administrative Services Date/Time 1/29/04 2:07 PM
Approved by: Kathryn Daughetee for Gregg D. Renkes, Attorney General Date 1/29/2004
Agency: Department of Law

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: **SB 311**
(S) Publish Date: 2/09/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: An Act...establishing a Workers' RDU: Work Comp Appeals Comm (new)
Compensation Appeals Commission Component: Workers' Compensation
Sponsor: Rules Committee Appeals Commission (new)
Requester: Governor Component Number: new#

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	380.1	380.1	380.1	380.1	380.1	380.1
Travel	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)	(20.6)
Contractual	168.4	95.3	95.3	95.3	95.3	95.3
Supplies	14.4	14.4	14.4	14.4	14.4	14.4
Equipment	24.3	24.3	24.3	24.3	24.3	24.3
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	566.6	493.5	493.5	493.5	493.5	493.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1157)	18.0	18.0	18.0	18.0	18.0	18.0
------------------------------------	-------------	-------------	-------------	-------------	-------------	-------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1157 Workers Safety Account	566.6	493.5	493.5	493.5	493.5	493.5
TOTAL	566.6	493.5	493.5	493.5	493.5	493.5

Estimate of any current year (FY2004) cost: None

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Paul Lisankie, Director
Division: Workers' Compensation Division
Approved by: Greg O'Claray, Commissioner
Agency: Department of Labor and Workforce Development

Phone 465-2790
Date/Time 2/6/04 9:37 AM
Date 2/6/2004

FISCAL NOTE #3

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: SB 311

ANALYSIS: (continued)

This legislation establishes a Workers' Compensation Commission, eliminates the Workers' Compensation Board, and transfers a number of functions from the Division of Workers' Compensation and the former Workers' Compensation Board to the new commission. The fiscal note displays the net change in costs associated with these changes. Changes include:

	Existing WC Division	New WC Appeals	Net Change
Personal Services	(803.8)	1,183.9	380.1
Travel	(36.8)	16.2	(20.6)
Contractual	(88.9)	257.3	168.4
Supplies	(8.6)	23.0	14.4
Equipment		24.3	24.3
Total	(938.1)	1,504.7	566.6

New Workers' Compensation Appeals Commission budget component:

Operating Expenditures:

Personal Services: The Appeals Commission is comprised of 13 new positions:

	<u>Range</u>
Commission, Chair	30 F
Commission, Member	29 C
Commission, Member	29 C
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 C
Comm. Hearing Officer	24 C
Comm. Hearing Officer	24 C
Admin. Services Mgr./ Commission Clerk	23 A
Admin. Assistant	13 A/B
Admin. Clerk III	10 A/B
Admin. Clerk II	8 A/B

The personal services costs of \$1,183.9 are associated with the above positions. Steps for Appeals Commission Hearing Officers are assumed to cover the range of experience of the potential incumbents mandated by the bill.

A reduction in the total numbers of hearing officers (currently eight authorized Workers' Compensation Hearing Officers versus planned six Appeals Commission Hearing Officers) is based upon a reasonably expected increase in productivity. That increase would result from 1) the increased experience and qualifications justifying Range 24 pay and 2) a lessening of turnover associated with upgrading the positions. Also, a reduction is supported by one substantive change in the bill that removes the need for a hearing officer to review Compromise & Release agreements involving injured workers represented by an attorney licensed to practice in the State of Alaska.

In order to insure that there is someone available to assist the chair in diverse "court clerk," budget/fiscal, and organizational administration functions (while still keeping total staffing requirements low) a higher level administrative manager position is included. In the state personnel system an Administrative Services Manager is identified as a "principal assistant to a division director" for managing administrative functions while insuring financial integrity and mission accomplishment.

FISCAL NOTE #3

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: SB 311

ANALYSIS: (continued)

Travel: Travel costs of \$16.2 have been minimized by basing the Appeals Commission and holding all its appeals hearings in Anchorage. Commission administrative staff are also located in Anchorage. Five Appeals Commission Hearing Officers are based in Anchorage and one in Fairbanks. Planned travel includes 3 trips to Juneau for the Commission chair and Commission Clerk/Administrative Services Manager as well as Hearing Officer travel once per month to Juneau for hearings, and Hearing Officer travel once every two months to Fairbanks to back up/fill in for resident.

Contractual: The bill requires that Appeals Commission offices and staff be "physically separate" from the Workers' Compensation Division offices and staff. The contractual budget of \$257.3 includes on-going contractual costs (telephones, leases, equipment maintenance, etc.) of \$184.2 and one-time costs of achieving the mandated physical separation of \$52.5 in Anchorage and \$20.6 in Fairbanks for a total of \$73.1. Those costs include demolition, construction, staff relocation, and voice and data line wiring.

Supplies and Equipment: A budget of \$23.0 for general office supplies and \$24.3 for equipment is necessary to operate the Appeals Commission.

New Fees/Fines:

The bill authorizes the Appeals Commission to charge a \$100.00 fee for the filing of an appeal. This is expected to amount to a yearly total of approximately \$6,000.00 payable to the Workers' Safety Account.

The bill also allows the Appeals Commission to order the parties to an appeal to pay for its costs of preparing the appeal file. At \$200.00 per appeal that could be expected to total \$12,000.00 per year payable to the Workers' Safety Account.

The bill also authorizes the Division of Workers' Compensation to seek the imposition of civil penalties against employers that violate the statutory requirement to insure or properly self-insure for their employees' workers' compensation benefits. Appeals Commission hearing officers would be authorized to award penalties up to a maximum of \$100.00 per day per employee. Based upon FY 2003 statistics penalties totaling \$217,900.00 could have been assessed for each day the 189 identified, uninsured employers failed to insure the workers' compensation benefits of their 2,179 employees. It is unclear whether these penalties under AS 23.30.080 were intended to be considered as penalties under "this section" (AS 23.05.067). Due to the speculative nature of these penalties, and the uncertainty of their collectability and qualification for inclusion, no adjustment to the Workers' Safety Account is currently included.

Existing Workers' Compensation budget component:

Operating Expenditures:

Personal Services: The Workers' Compensation Division and the Workers' Compensation Board would delete the following positions:

	Range
Chief of Adjudication	23 B
Workers' Compensation Hearing Officer	21 M
Workers' Compensation Hearing Officer	21 K
Workers' Compensation Hearing Officer	21 F
Workers' Compensation Hearing Officer	21 B/C
Workers' Compensation Hearing Officer	21 B/C
Workers' Compensation Hearing Officer	21 B/C
Workers' Compensation Hearing Officer	21 A
Workers' Compensation Officer II	18 K
14 Workers' Compensation Board Members	-----

FISCAL NOTE #3

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: SB 311

ANALYSIS: (continued)

The personal services cost reductions of (\$803.8) are associated with the 9 full-time positions above. Savings from Board members are reflected below under travel and stipends.

Many responsibilities previously lodged in the AWCB have been reassigned to the Division Director. While some will be absorbed by the remaining Workers' Compensation Officers, others require more advanced legal and administrative hearing skills. Reflecting the increased responsibilities the bill places upon the Division Director, and the loss of the Chief of Adjudication, the Division will retain one Workers' Compensation Hearing Officer or equivalent (Range 21) position. This position will allow the Director to delegate some of the duties for making investigations and determinations to the incumbent.

The bill shifts to the Appeals Commission Hearing Officers the requirement to hold prehearing conferences needed for planning hearings and to resolve discovery disputes. In Anchorage, where there are currently three WCO II's and two technicians, this reduction and shifting other work will require one less Workers' Compensation Officer II.

Travel: Travel costs are reduced by (\$36.8) to reflect transfer of hearing officer travel to the Appeals Commission and the absence of Board member stipends (\$50.00 per day) and travel.

Contractual and Supplies: Reflects reductions in fixed costs, space lease in Anchorage and Fairbanks, and other contractual costs totaling (\$88.9). And also reflects transferring (\$8.6) for supplies to the Appeals Commission.

Funding

Funding for the net cost increase resulting from this legislation will be from Workers' Safety Account reserves. This assumes passage of legislation to reverse the sweep of the reserve balance. Failure to reverse the sweep will force a reliance on General Funds for these costs as all recurring Workers Safety Account revenue is accounted for in the Governor's FY 2005 budget.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: SB 311
 (S) Publish Date: 3/5/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An act reforming Workers' Compensation Board functions RDU Risk Management
 Component Risk Management
 Sponsor Rules
 Requester By request of the Governor Component No. 71

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

GRCE (Thousands of Dollars)

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

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 Significant reform to the adjudication process for workers' compensation claims is proposed in this comprehensive legislation. In time, these streamlining measures are projected to save allocated loss adjustment expenses presently incurred in resolving disputes in claim and benefit obligations. As an authorized self-insured employer, the state will experience these savings in its self-insurance program administered by Risk Management. In future years, Risk Management's workers' compensation premium assessments to state agencies will reflect the reductions actually realized as premium charges are developed from actual claims expense incurred.

Prepared by: J. Brad Thompson, Director Phone 465-5723
 Division Director Date/Time 2/9/04 9:15 AM
 Approved by: Mike Miller, Commissioner Date 2/9/2004
 Agency Department of Administration

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 5
 Bill Version: SB 311
 (S) Publish Date: 3/5/04

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title Workers' Compensation BRU Alaska Court System
 Component Appellate Courts
 Sponsor Senate Rules
 Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	136.1	186.1	186.1	186.1	186.1	186.1
Travel						
Contractual	2.4	2.4	2.4	2.4	2.4	2.4
Supplies						
Equipment	10.3					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	198.8	188.5	188.5	188.5	188.5	188.5

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	198.8	188.5	188.5	188.5	188.5	188.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	198.8	188.5	188.5	188.5	188.5	188.5

Estimate of any current year (FY2004) cost: 0.0

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

POSITIONS

Full-time	3					
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Doug Wooliver Administrative Attorney Phone 463-4750
 Division Alaska Court System Date/Time 2/9/04 11:37 AM
 Approved by: Stephanie Cole Administrative Director by Doug Wooliver Date 2/9/2004
 Agency Alaska Court System

SB 311 FN #5
Alaska Court System Fiscal Analysis

Senate Bill 311 makes several changes to the way the Department of Labor and Workforce Development (the agency) and the Alaska Court System resolve workers' compensation disputes and appeals. Most important for purposes of the court's fiscal note is that appeals from the newly-created Workers' Compensation Appeals Commission (commission) will bypass the superior court and go directly to the supreme court.

The court system does not believe that the creation of the new commission will result in a decrease in the number of workers' compensation cases that are appealed to the court system each year. However, bypassing the superior court will lead to a significant increase in the number of these appeals that go to the supreme court. This is because the superior court resolves about 75% of the workers' compensation cases appealed to the court system. Of the yearly average of 36 appeals filed with the superior court, only 9 (25%) are further appealed to the supreme court. Because the bill bypasses the superior court the supreme court anticipates that it will see all 36 cases.

Although the removal of these cases from the superior court will ease the workload of that court, the reduction is only slightly more than an average of one case a year per judge.¹ Although this will allow judges some additional time to focus on other cases, it is not a significant enough reduction to produce a cost savings. However, an additional 27 cases a year for the supreme court would represent a greater than 10% increase in its civil caseload.

In order to mitigate the impact of these additional cases the court will hire a central staff attorney with expertise in workers' compensation law to research the record and the legal issues associated with each of the workers' compensation cases. This assistance should reduce the time required to resolve these cases and lessen the impact they will have on other matters before the court.

Additionally, this note reflects the costs of an administrative assistant to assist the attorney and an additional clerical position to handle the increased paper work and to interact with the agency in the preparation of the records on appeal.

This note conservatively assumes that the number of cases appealed to the court system will not grow above the current average of 36 cases a year. Should that average increase the court system may be back before the legislature with a request for additional funding.

¹ By way of comparison, the statewide average of cases per superior court judge is 500 to 600 cases a year.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 6
 Bill Version: CSSB 311(JUD)
 (S) Publish Date: 4/26/04

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
 Title: Insurance & Workers' Compensation System RDU: Workers' Compensation
 Component: Workers' Compensation
 Sponsor: Senate Rules Appeals Commission (new)
 Requester: Senate JUD Component Number: new#

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	380.1	380.1	380.1	380.1	380.1	380.1
Travel	39.8	39.8	39.8	39.8	39.8	39.8
Contractual	168.4	119.6	119.6	119.6	119.6	119.6
Supplies	27.1	14.4	14.4	14.4	14.4	14.4
Equipment	11.6					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	627.0	553.9	553.9	553.9	553.9	553.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1157)	18.0	18.0	18.0	18.0	18.0	18.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1157 Workers Safety Account	627.0	553.9	553.9	553.9	553.9	553.9
TOTAL	627.0	553.9	553.9	553.9	553.9	553.9

Estimate of any current year (FY2004) cost: None

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

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Paul Lisankie, Director
 Division: Workers' Compensation Division
 Approved by: Greg O'Claray, Commissioner
 Agency: Department of Labor and Workforce Development

Phone 465-2790
 Date/Time 4/20/04 3:38 PM
 Date 4/20/2004

FISCAL NOTE #6

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: CSSB 311(JUD)

ANALYSIS: (continued)

This legislation establishes a Workers' Compensation Appeals Commission and replaces the Alaska Workers' Compensation Board with a Workers' Compensation Hearings Board. It also transfers a number of functions from the Division of Workers' Compensation and the former Workers' Compensation Board to the new Commission and Hearings Board. The fiscal note displays the net change in costs associated with these changes. Changes include:

	Existing WC Component	New WC Appeals	New WC Hearings Board	Net Change
Personal Services	(803.8)	1,183.9	0.0	360.1
Travel	(36.8)	16.2	60.4	39.8
Contractual	(88.9)	257.3	0.0	168.4
Supplies	(3.6)	35.7	0.0	27.1
Equipment		11.6	0.0	11.6
Total	(938.1)	1,504.7	60.4	627.0

New Workers' Compensation Appeals Commission budget component:

Operating Expenditures:

Personal Services: The Appeals Commission is comprised of 13 new positions:

	<u>Range</u>
Commission, Chair	30 F
Commission, Member	29 C
Commission, Member	29 C
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 D
Comm. Hearing Officer	24 C
Comm. Hearing Officer	24 C
Comm. Hearing Officer	24 C
Admin. Services Mgr./ Commission Clerk	23 A
Admin. Assistant	13 A/B
Admin. Clerk III	10 A/B
Admin. Clerk II	8 A/B

The personal services costs of \$1,183.9 are associated with the above positions. Steps for Appeals Commission Hearing Examiners are assumed to cover the range of experience of the potential incumbents mandated by the bill.

A reduction in the total numbers of hearing officers (currently eight authorized Workers' Compensation Hearing Officers versus planned six Appeals Commission Hearing Examiners) is based upon a reasonably expected increase in productivity. That increase would result from 1) the increased experience and qualifications justifying Range 24 pay and 2) a lessening of turnover associated with upgrading the positions. Also, a reduction is supported by one substantive change in the bill that removes the need for a hearing examiner to review Compromise & Release agreements involving injured workers represented by an attorney licensed to practice in the State of Alaska.

In order to insure that there is someone available to assist the chair in diverse "court clerk," budget/fiscal, and organizational administration functions (while still keeping total staffing requirements low) a higher level administrative manager position is included. In the state personnel system an Administrative Services Manager is identified as a "principal assistant to a division director" for managing administrative functions while insuring financial integrity and mission accomplishment.

FISCAL NOTE #6

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: CSSB 311(JUD)

ANALYSIS: (continued)

Travel: Appeals Commission travel costs of \$16.2 have been minimized by basing the Commission and holding all its appeals hearings in Anchorage. Commission administrative staff are also located in Anchorage. Five Appeals Commission Hearing Examiners are based in Anchorage and one in Fairbanks. Planned travel includes 3 trips to Juneau for the Commission chair and Commission Clerk/Administrative Services Manager as well as Hearing Examiner travel once per month to Juneau for hearings, and Hearing Examiner travel once every two months to Fairbanks to back up/fill in for resident.

Hearings Board travel includes both actual travel costs (\$30.4) associated with the 14 Board members attending hearings and a total of (\$30.0) based upon a \$50/day stipend payable for each day or part of a day spent on Board business. This component now reflects the requirement that two Board members must be present or a scheduled hearing may not proceed.

Contractual: The bill requires that Appeals Commission offices and staff be "physically separate" from the Workers' Compensation Division offices and staff. The contractual budget of \$257.3 includes on-going contractual costs (telephones, leases, equipment maintenance, etc.) of \$184.2 and one-time costs of achieving the mandated physical separation of \$52.5 in Anchorage and \$20.6 in Fairbanks for a total of \$73.1. Those costs include remodeling of office space, staff relocation, and voice and data line wiring.

Supplies and Equipment: A budget of \$35.7 for general office supplies and \$11.6 for equipment is necessary to establish and operate the Appeals Commission in FY 2005 due to the one time costs associated with items such as printers, fax machines and photocopiers and additional computers. Beginning in FY 2006 the supply and equipment line items are adjusted to reflect estimated operational costs for the Appeals Commission.

New Fees/Fines:

The bill authorizes the Appeals Commission to charge a \$100.00 fee for the filing of an appeal. This is expected to amount to a yearly total of approximately \$6,000.00 payable to the Workers' Safety and Compensation Administration Account.

The bill also allows the Appeals Commission to order the parties to an appeal to pay for its costs of preparing the appeal file. At \$200.00 per appeal that could be expected to total \$12,000.00 per year payable to the Workers' Safety Account.

The bill also authorizes the Division of Workers' Compensation to seek the imposition of civil penalties against employers that violate the statutory requirement to insure or properly self-insure for their employees' workers' compensation benefits. Appeals Commission hearing examiners would be authorized to award penalties up to a maximum of \$100.00 per day per employee. Based upon FY 2003 statistics penalties totaling \$217,900.00 could have been assessed for each day the 189 identified, uninsured employers failed to insure the workers' compensation benefits of their 2,179 employees. It is unclear whether these penalties under AS 23.30.080 were intended to be considered as penalties under "this section" (AS 23.05.067). Due to the speculative nature of these penalties, and the uncertainty of their collectability and qualification for inclusion, no adjustment to the Workers' Safety and Compensation Administration Account is currently included.

Existing Workers' Compensation budget component:

Operating Expenditures:

Personal Services: The Workers' Compensation Division and the Workers' Compensation Board would delete the following positions:

FISCAL NOTE #6

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL VERSION: CSSB 311(JUD)

ANALYSIS: (continued)

	Range
Chief of Adjudication (PCN 07-3005)	23 B
Workers' Compensation Hearing Officer (PCN 07-3013)	21 M
Workers' Compensation Hearing Officer (PCN 07-3020)	21 K
Workers' Compensation Hearing Officer (PCN 07-3042)	21 F
Workers' Compensation Hearing Officer (PCN 07-3043)	21 B/C
Workers' Compensation Hearing Officer (PCN 07-3044)	21 B/C
Workers' Compensation Hearing Officer (PCN 07-3060)	21 B/C
Workers' Compensation Hearing Officer (PCN 07-3061)	21 A
Workers' Compensation Officer II (PCN 07-3027)	18 K
14 Workers' Compensation Board Members -----	

The personal services cost reductions of (\$803.8) are associated with the 9 full-time positions above. Savings from Board members are reflected below under travel and stipends.

Many responsibilities previously lodged in the AWCB have been reassigned to the Division Director. While some will be absorbed by the remaining Workers' Compensation Officers, others require more advanced legal and administrative hearing skills. Reflecting the increased responsibilities the bill places upon the Division Director, and the loss of the Chief of Adjudication, the Division will retain one Workers' Compensation Hearing Officer or equivalent (Range 21) position. This position will allow the Director to delegate some of the duties for making investigations and determinations to the incumbent.

The bill shifts to the Appeals Commission Hearing Examiners the requirement to hold prehearing conferences needed to plan hearings and to resolve discovery disputes. In Anchorage, where there are currently three WCO II's and two technicians, this reduction and shifting other work will require one less Workers' Compensation Officer II.

Travel: Travel costs are reduced by (\$36.8) to reflect transfer of hearing officer travel, as well as Board member stipends (\$50.00 per day) and travel, to the Appeals Commission. (The latter due to replacement of the Alaska Workers Compensation Board by the Commission's Workers' Compensation Hearing Board.)

Contractual and Supplies: Reflects reductions in fixed costs, space lease in Anchorage and Fairbanks, and other contractual costs totaling (\$88.9). And also reflects transferring (\$8.6) for supplies to the Appeals Commission.

Funding

Funding for the net cost increase resulting from this legislation will be from the Workers' Safety and Compensation Administration Account and reserves. This assumes passage of legislation to reverse the sweep of the reserve balance. Failure to reverse the sweep may force a reliance on General Funds for some of these costs as most recurring WSCA Account revenue is accounted for in the Governor's FY 2005 budget.

STATE OF ALASKA

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

Frank H. Murkowski, Governor

P.O. BOX 110300
JUNEAU, ALASKA 99811-0300
PHONE: (907)465-3600
FAX: (907)465-2075

May 3, 2004

Representative Tom Anderson
Chair, House Labor & Commerce Committee
Alaska State Legislature
State Capitol, Room 432
Juneau, Alaska 99801

Re: SB 311 – "An Act providing for a special deposit for workers' compensation insurers; relating to the board of governors of the Alaska Insurance Guaranty Association; stating the intent of the legislature, and setting out limitations, concerning the interpretation, construction, and implementation of workers' compensation laws; relating to restructuring the Alaska workers' compensation system; eliminating the Alaska Workers' Compensation Board; establishing a division of workers' compensation within the Department of Labor and Workforce Development and assigning certain Alaska Workers' Compensation Board functions to the division and the Department of Labor and Workforce Development; establishing a Workers' Compensation Appeals Commission; assigning certain functions of the Alaska Workers' Compensation Board to the Workers' Compensation Appeals Commission and the Workers' Compensation Hearings Board; relating to agreements that discharge workers' compensation liability; providing for hearing examiners and hearing panels in workers' compensation proceedings; relating to workers' compensation awards; relating to an employer's failure to insure and keep insured or provide security; providing for appeals from compensation orders; relating to workers' compensation proceedings; providing for supreme court jurisdiction of appeals from the Workers' Compensation Appeals Commission; providing for a maximum amount for the cost-of-living adjustment for workers' compensation benefits; providing for administrative penalties for employers uninsured or without adequate security for workers' compensation; and relating to assigned risk pools and insurers."

Dear Representative Anderson:

I am writing this letter to request that you schedule the above bill for a hearing at your earliest convenience.

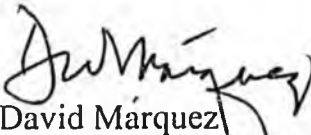
Representative Tom Anderson
Re: SB 311

May 3, 2004
Page 2

If you have any questions, please feel free to contact me.

Sincerely,

GREGG D. RENKES
ATTORNEY GENERAL

By: 
David Marquez
Chief Assistant Attorney General

DWM/lcc

cc: Mike Tibbles, Legislative Director, Office of the Governor
Deborah Behr, Legislation and Regulations Attorney, Department of Law

SB

357

Applied

23-LS1684V.5
Bullock
4/27/04

AMENDMENT #2

OFFERED IN THE HOUSE

TO: CSSB 357(FIN)

1 Page 26, following line 9:

2 Insert a new bill section to read:

3 *** Sec. 43.** AS 21.39.155 is amended by adding a new subsection to read:

4 (d) Rates for the assigned risk pool shall be established and maintained at a
5 level that will ensure, to the greatest extent practicable, that the assigned risk pool will
6 operate on a self-funding financial basis. For purposes of this subsection, "operate on
7 a self-funding financial basis" means that the assigned risk pool shall charge rates
8 based upon a combination of approved voluntary loss costs, administrative expenses,
9 servicing carrier allowances, catastrophe and other reinsurance expenses,
10 contingencies, and all other factors in AS 21.39.030, so as to be self-funding during
11 any consecutive three-year period, on a moving average basis."

12

13 Renumber the following bill sections accordingly.

14

15 Page 30, line 10:

16 Delete "Section 54"

17 Insert "Section 55"

18

19 Page 30, line 11:

20 Delete "sec. 56"

21 Insert "sec. 57"

Adopted

23-LS1684V.7
Bullock
5/3/04

AMENDMENT #1

OFFERED IN THE HOUSE
TO: CSSB 357(FIN)

1 Page 3, following line 2:

2 Insert a new bill section to read:

3 **** Sec. 5.** AS 21.09 is amended by adding a new section to read:

4 **Sec. 21.09.095. Deposit requirement for workers' compensation insurers.**

5 (a) An insurer of workers' compensation shall maintain with an in-state bank
6 approved by the director a separate deposit equal to the insurer's assumed Alaska
7 workers' compensation assigned risk pool loss reserves, as determined by the
8 designated plan administrator, for all years and ceded under the joint and several quota
9 share reinsurance agreements through which workers' compensation insurers reinsure
10 risks in the Alaska workers' compensation assigned risk pool. The deposit shall be
11 maintained as secured collateral for the benefit of other insurers in their capacity as
12 joint and several reinsurers of the Alaska workers' compensation assigned risk pool.

13 (b) Upon becoming an insolvent insurer as defined in AS 21.80.180 or upon
14 otherwise failing to timely satisfy its Alaska workers' compensation assigned risk pool
15 obligations, the insurer's deposit under this section shall be retained as secured
16 collateral under the control of the director. The director shall make funds from the
17 deposit available to the designated plan administrator as needed to fund the insurer's
18 obligations to the Alaska workers' compensation assigned risk pool.

19 (c) The deposit required under this section must consist of cash and
20 investment assets approved by the director under the regulatory authority in
21 AS 21.21.420.

22 (d) In this section,

23 (1) "Alaska workers' compensation assigned risk pool" means the

1 assigned risk pool established for workers' compensation under AS 21.39.155;

2 (2) "designated plan administrator" means the person appointed by the
3 director to operate the assigned risk pool for workers' compensation."
4

5 Renumber the following bill sections accordingly.

6

7 Page 30, line 10:

8 Delete "Section 54"

9 Insert "Section 55"

10

11 Page 30, line 11:

12 Delete "sec. 56"

13 Insert "sec. 57"

Alaska State Legislature

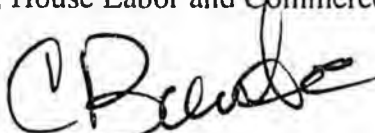
Senator Con Bunde
District P

Vice Chair: Senate Finance Committee
Chair: Senate Labor & Commerce Committee
Member: Legislative Budget & Audit Committee

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-4843

During Interim:
716 W. Fourth Avenue
Anchorage, AK 99501-2133
(907) 269-0181

MEMORANDUM

DATE: Monday, April 19, 2004, 2004
TO: Tom Anderson, Chair, House Labor and Commerce
FROM: Senator Con Bunde 
RE: Hearing Request for SB-357 Insurance

I respectfully request a hearing before the House Labor and Commerce Committee on **SB 357**, an Insurance Omnibus bill.

The Senate Labor and Commerce has sponsored SB 357 on behalf of the Division of Insurance to address needed changes that updates procedures and transactions within the Division of Insurance. Referred to as the Insurance Omnibus Bill, it contains numerous changes to Title 21, ensuring state consistencies with federal law, the National Association of Insurance Commissioners (NAIC) model acts, standards and guidelines.

Key elements of the bill are:

1. Provides for **electronic communications** between the Division of Insurance and the public, industry and other regulators to promote more efficiencies
2. Provisions for changes in **reinsurance**
3. Contains recommended **licensing revisions** suggested by the NAIC
4. Changes in **liability for civil damages** when filing a report re: fraudulent acts
5. Clarifies that a **guaranty fund deposit** is required for title insurance companies.
6. **Changes to taxes and late payments** to make the penalties more consistent with the Department of Revenue statutes and include penalties for surplus lines brokers who submit late payments on taxes.

Alaska Department of Community
and Economic Development

Division of Insurance

P.O. Box 110805, Juneau, AK 99811-0805

Telephone: (907) 465-2515 • Fax: (907) 465-3422 • Text Telephone: (907) 465-5437

Email: Insurance@dced.state.ak.us • Website: www.dced.state.ak.us/insurance/

March 8, 2004

Senator Con Bunde, Chairman
Senate Labor and Commerce
Room 506
State Capitol
Juneau, Alaska 99801

RE: Senate Bill 357

The Honorable Con Bunde,

The changes to Title 21 which are proposed in SB 357 are necessary to ensure that Alaska statutes are consistent with federal law (the provisions mandated under the Gramm-Leach-Bliley Act) and with model acts and standards of the National Association of Insurance Commissioners (NAIC). A number of the proposed changes dealing with the financial oversight of insurance companies were suggested by the NAIC accreditation team as Alaska was reviewed for renewal of accredited status. It is important to continue to have the recognition of the NAIC which acknowledges compliance with national standards.

Some of the proposed changes relate to updating procedures to reflect the current insurance environment and to enable electronic communications between the Division of Insurance and the public, industry and other regulators.

Two key elements of the mission of the Division of Insurance are to protect the consumer and to enhance the insurance business environment. As we perform our regulatory oversight functions, we regularly review the provisions of Title 21 to determine our authority and to look at areas which should be changed to enable the Division staff to continue to ensure we have the tools to achieve the stated mission.

I would urge support of SB 357 and the changes that are being proposed.

Sincerely,

Linda S. Hall
Director

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 357(L&C)
 (S) Publish Date: 3/24/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Insurance RDU Insurance (116)
 Component Insurance Operations
 Sponsor Senate Labor & Commerce
 Requester Senate Labor & Commerce Component No. 354

Expenditures/Revenues (Thousands of Dollars)

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

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

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

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

FUND SOURCE (Thousands of Dollars)

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

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation makes changes to Title 21 that are necessary to ensure that state statutes are consistent with federal law, the National Association of Insurance Commissioners (NAIC) model acts, standards and guidelines, and updates procedures and transactions related to electronic communications. It has no fiscal impact on the operations of the division.

Prepared by: Linda S. Hall, Director Phone (907) 269-7900
 Division Insurance Date/Time 3/5/04 12:44 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/5/2004
 Agency Department of Community & Economic Development

Sectional Analysis
Revised 4-5-04
Insurance Omnibus Bill

- Section 1 Deleted words "certified to" and replaced with "issued" in order to assist the public, industry and other regulators to electronically communicate with the division. Electronic transactions are more efficient and streamline administrative procedures.
- Section 2 Deletes "and" and substitutes "or" to clarify that contracts may not contain any of the prohibited provisions individually as was the intent of the original language
- Section 3 Deleted words "notwithstanding AS 21.86.280, medical" and replaced with "medical" in order to clarify the meaning of this section.
- Section 4 Added subsection (d) to clarify that for purposes of this section, a managed care entity means a managed care entity that is not subject to AS 21.36
- Section 5 Deleted words "certified to" and replaced with "issued" in order to assist the public, industry and other regulators to electronically communicate with the division. Electronic transactions are more efficient and streamline administrative procedures.
- Section 6 Revised to make it possible for director to suspend, rather than revoke, a certificate of authority for additional one year terms so that insurer can correct the issues that caused the need for suspension. In any event, the certificate of authority will be revoked after five years of suspension.
- Section 7 Deleted word "received" and replaced with "written" to clarify the intent of the section to reflect the practical calculation methodology of taxes paid by insurers.
- Section 8 Deleted word "received" and replaced with "written" and words "income received" were deleted and replaced with "written" to clarify the intent of the section and to reflect the practical calculation methodology of taxes paid by insurers.
- Section 9 Revised the calculation methodology of late paid taxes by insurers under AS 21.09.210 and makes the penalties more consistent with Department of Revenue statutes. Taxes must be made in the form required by the director, which by regulation is automated clearinghouse debit or credit. A penalty may be assessed for willful violation of the section, and the director may revoke or suspend a certificate of authority of an insurer who fails to pay taxes or late fees.

- Section 10 Clarified the intent of the section by deleting the words "policy of" and replacing with "policy."
- Section 11 Added a subsection, which provides that premiums paid on an individual life insurance are not subject to retaliation tax under AS 21.09.270
- Section 12 Deleted the word "certified" and replaced with "issued" in order to provide for electronic communication
- Section 13 Revised to clarify that assumption of Alaska business should only be ceded to an insurer that is authorized by its domestic state to conduct the same line of business being ceded and to bring state law into compliance with the NAIC Model Credit for Reinsurance Regulation, including conditions and requirements for domestic ceding insurers and assuming insurers.
- Section 14 Revised to bring state law into compliance with the NAIC Model Credit for Reinsurance Regulation, including conditions and requirements for domestic ceding insurers and assuming insurers.
- Section 15 Added a new section that provides for the regulation of Alaska policyholder business that is transferred from an Alaska admitted insurer to a non-admitted insurer through an assumption reinsurance agreement.
- Section 16 Added a new subsection that states that the requirements of this chapter are supplemental to any other provisions of this title and do not preclude or limit any other powers or duties of the director. The addition is as given in the NAIC Model Law and required for accreditation by NAIC.
- Section 17 Added a subsection, which clarifies conditions for approval of a merger or acquisition under Chapter 22, Insurance Holding Companies, with respect to insurance buying public. The addition is as given in the NAIC Model Law and required for accreditation by NAIC.
- Section 18 Changed the numbering sequence to correspond to other changes
- Section 19 Revised to give the director the authority to issue licenses for crop and surety insurance lines of authority to qualified persons based on these lines of authority for consistency with national standards.
- Section 20 Deleted reference to trainee license for an insurance producer as it is inconsistent with the NAIC Producer Licensing Model Act that is used as a standard for national uniformity in producer licensing.

- Section 21 Deleted additional license requirements that may impose barriers to licensure for nonresidents who seek to obtain a license in our state. Requiring a company appointment for the "sole purpose to be appointed" is considered an additional requirement that may jeopardize Alaska's reciprocity under the Gramm-Leach-Bliley Act. Deleted references to fraternal licenses to conform to national licensing standards since Alaska is one of only a few states that offer this license class. A person who sells policies on behalf of a fraternal organization is already licensed for major lines (life and health) and therefore this repeal has no negative effect.
- Section 22 Corrected the statutory reference to correspond to other changes
- Section 23 Deleted reference of trainee license for an insurance producer in order to conform to NAIC standards.
- Section 24-27 Deleted inconsistent experience requirements for managing general agents, reinsurance intermediary managers, reinsurance intermediary brokers and surplus lines brokers in order to be consistent with the Gramm-Leach-Bliley Act. Included a requirement for a person seeking licensure for surplus lines authority that they also be licensed as either a producer or managing general agent, consistent with NAIC standards.
- Section 28 Revised to make it possible for health insurance to be provided through surplus lines.
- Section 29 Clarified definitions.
- Section 30 Added a new section that makes it possible for health insurance to be provided through surplus lines.
- Section 31 Amended the section to include the requirement that in order for a nonadmitted insurer to be an eligible surplus lines insurer, that it pays to the division or surplus lines association any fee required by regulation and that an annual fee required under this section and adopted as a regulation must be paid on or before June 30 of each year.
- Section 32 Added a new subsection which clarifies the meaning of "transaction."
- Section 33-35 Revised to make the regulatory process more efficient and reflective of the surplus lines marketplace based on an industry task force convened during the summer of 2003.
- Section 36 Created a penalty for late reporting.

- Section 37 Deleted word "charged" and replaced with "written" to clarify the intent of the section and to reflect the practical calculation methodology of taxes paid by insurers
- Section 38 Revised the calculation methodology of late paid taxes by surplus lines brokers under AS 21.34.180 (f). Taxes must be made in the form required by the director. A penalty may be assessed for willful violation of the section and the director may revoke or suspend a broker who fails to pay taxes or late fees.
- Section 39 Amended to include business or commercial policies issued under AS 21.34 as not included under AS 21.36.235 (c)
- Section 40 Amended to include business or commercial policies issued under AS 21.34 as not included under AS 21.36.240
- Section 41 Added a subsection which provides a person is not liable for civil damages for filing a report or furnishing other information concerning a fraudulent act to a person involved in the prevention or detection of fraudulent insurance acts or that person's employees, agents or representative. This change allows special investigation units of different insurance companies to share information without potential of liability and is based on the NAIC model act.
- Section 42 Added a subsection which provides that insurance written under AS 21.34 does not apply under this chapter.
- Section 43 Added language that provides that this section does not apply to policies issued under AS 21.34.
- Section 44 Clarified that a guaranty fund deposit is required for title insurance companies in addition to the required deposit under AS 21.66.010 (b).
- Section 45 Clarified late payment fees and penalties and director's authority to suspend or revoke the certificate of authority for title insurance companies that fail to pay its taxes, a penalty or a late payment fee.
- Section 46,47 Revised AS 21.69.390 to allow domestic insurers with operations entirely outside the state to maintain their records outside of Alaska and provide a process of getting director approval when it is necessary.
- Section 48 Revised wording regarding reinsurance for stock insurers in order to require filing of signed reinsurance agreements.
- Section 49 Revised wording regarding reinsurance for mutual insurers in order to require filing of signed major reinsurance agreements.

- Section 50,51 Revised wording regarding electronic communications and transactions in order to streamline administrative procedures and make them more efficient.
- Section 52 Added definitions for "reinsurance" and "assumption reinsurance."
- Section 53 Repealed sections in order to make state law consistent with NAIC guidelines, other revisions in the bill and to make procedures more efficient. Repeals the trainee license requirements for insurance producers, reinsurance intermediary managers, brokers, managing general agents and surplus lines brokers.
- Section 54 Added new section giving the director of insurance the authority to adopt regulations necessary to implement the changes made in this Act and providing for effective dates.
- Section 55 Added new section instructing reviser of statutes of a heading name