

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

11214 SENATE LABOR & COMMERCE

Professional Licenses, Certifications, and Registrations

- Alaska Registered Professional Mechanical Engineer, ME-10364, 2001
- AHFC BEES Ventilation Compliance Certifier, #1259, 2002
- AHFC Energy Rater Technician, 1998
- Alaska Craftsman Home Program Airtightness Certified Technician, 1997

Education:

- Bachelor of Science in Mechanical Engineering, Oregon State University, 1996
- Northern Design Course, University of Alaska Anchorage, 1997

Community and Professional Service:

American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE)

- Member, 1997-Present.
- Chapter Board of Governors, 2000-Present
- Northwest Region Outstanding Membership Chairman Award 2000-2001 and 2001-2002.
- International Lincoln Bouillon Membership Award Nominee, 2001-2002.
- Past Chapter Membership Chairman, Treasurer and currently Secretary.

Alaska Robotics Education Association (AREA), www.akrobotics.org

A non-profit 501(c)(3) that promotes science and technology for 9-18 year olds throughout the State of Alaska using national robotics competitions.

- Founding Board Member and Treasurer, 2001 to Present
- AREA's Spokesman, volunteer coordinator, and fund raiser for the Engineering and Design Community covering more than 10 professional engineering and design societies.
- FIRST (For Inspiration and Recognition of Science and Technology, www.usfirst.org) High School Robotics mentor, volunteer, fund raiser, and promoter, 2000-Present.
- Alaska State FIRST Lego League Tournament volunteer, organizer, fund raiser, and promoter, 2002 and 2003. The 2003 state tournament involved over 300 students from Hoonah to St. Michael and constituted the largest geographical FIRST Lego League tournament in the world.

Engineer's Week

- Volunteer for multiple engineering presentations each year for elementary grade classes in Anchorage School District, 1998 to Present.
- Mechanical Engineering representative/speaker for 2004 Engineer's Week Student Engineering Tour.

Municipal and State Service:

- Municipality of Anchorage Code Review Board, International Mechanical Code, 2000
- Anchorage School District Budget Review Team – Maintenance and Operations, 2000

Professional Experience:

ASCG, Inc. 2003 to Present

Mechanical Project Engineer for All Discipline A/E Consulting Firm.

- Project manager and lead mechanical engineer for variety of heating, ventilation, air-conditioning (HVAC) and plumbing projects including commercial, industrial, medical, residential, Corp of Engineer and Ft. Greely Missile Defense support facilities.
- Generate project bid proposals, fee proposals, and mechanical department marketing materials.
- Manage and mentor multiple mechanical department personnel as project manager in production of mechanical construction documents.
- Active in department wide standardization of drafting, production, and project management. Initiate the creation of CSI master specifications for the mechanical department.

RSA Engineering, Inc. 1997 to 2003

Mechanical Project Engineer for Mechanical/Electrical Consulting Firm.

- Responsible charge of nearly 100 projects located throughout urban and rural Alaska including schools, correctional facilities, power plants, waste heat, commercial facilities, medical, retail, and single/multi-family housing projects.
- Developed mechanical design expertise in arctic, sub-arctic, and maritime climates.
- Responsible for all phases of HVAC and plumbing projects including proposal generation, firm selection interviews, condition surveys, mechanical design, specification production, bidding, and construction administration.
- Managed projects as prime consultant including coordination of sub-consultants and responsibilities as Owner's point of contact.

MacDonald Miller Alaska, Inc., 1995 (summer intern), 1996 to 1997

Commercial Design/Build HVAC Contractor.

- Provide design and construction administration services including HVAC design as well as generation of Submittal and Operations & Maintenance manuals.
- Assist in the design, programming, and field testing of Staefa controls for integration into new and existing HVAC systems.
- Assist service technicians in installation and maintenance of HVAC systems.
- Manage in-house fabrication and pricing of spiral sheet metal.
- Select, bid and purchase construction materials, equipment, and sheet metal.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

BOARDS & COMMISSIONS

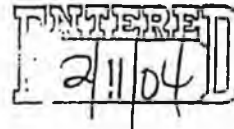
JAN 28 2003

APP/Barbers/011

2-11-04 Requested Appointment.

Debra Long
149 Roxie Road
Fairbanks, Alaska 99709
(907) 474-5228

907-474-0448



TO WHOM IT MAY CONCERN:

Application to serve on: Board of Hairdressers

I have been a hairdresser for 33 years, since 1970. I hold the following current licenses: Instructor, barber, hairdresser, esthetician and manicurist – in the states of Oregon, California and Alaska.

I moved to Fairbanks, Alaska, in 1985, where I am the co-owner of Mary's Hair'Em, with an ongoing apprenticeship student program since 1985. I worked as a proctor examiner for the state board practical exams in Fairbanks since 1985.

I was the official hairdresser and make-up technician for the Miss USA Alaska Pageants for 12 years. I served as a Judge for these pageants:

- Miss Teen USA Alaska 1986
- Miss Teen USA California 1992 (at their invitation)
- Miss USA California 1996 (at their invitation)
- Miss USA Mississippi 1997 (at their invitation)

As a salon owner and instructor for 33 years and with 17 years experience as a Fairbanks proctor for State Board examinations I feel I have the experience and dedication to be considered to serve on the Board of Barbers and Hairdressers.

There is an opening now, and if it's not filled by someone living in Fairbanks, all our students from the Interior will have to travel with their models, to Anchorage to sit their exams. This will create a barrier of problems, time, and additional expense for apprentices.

Sincerely yours,

Debra Long
Debra Long

References: Cindy Evans
Bonnie Williams

APP/Barbers: 1011
Hairdressers

Joylene A. Marrs
2239 Sorbus Way
Anchorage, Alaska 99508
Phone: (907) 222-6565

OBJECTIVE: To fill the vacant public board position on the "State Board of Hair Dressers and Barbers."

QUALIFICATIONS

I have been working in the broadcast media for the past ten years. I can easily work with the media to attract positive news coverage to this vital industry. The public seat on this board has been vacant for several years. Filling this seat now is crucial. The board is currently in the running to bring the "National Board of Hair Dressers and Barbers" to the state of Alaska in the year 2005.

1993-1997 B.S. in Public Relations and Journalism, University of Alaska-Anchorage

EMPLOYMENT

2001-2002 *Assignment Manager, News 10 KXTV*

I was the manager of the ten employees. I sorted through the daily press releases and monitored the scanners for spot news. I decided which news items we would send crews to that day based on the press releases and community contacts. This was a highly competitive top twenty market. It was my responsibility that twenty-four hours a day we made sure we covered all the important stories and never missed spot news.

2001-1999 *Assistant News Director/Main Anchor, Alaska Superstation, KIMO*

As the Assistant News Director I was responsible for the day to day news coverage of the station. I assigned a staff of twenty or more to their daily news assignments. I was the first line of contact for the public and the public relations people. Based on this I would decide which stories would be run in our daily prime time newscasts. I learned how to use limited resources to cover the maximum amount of daily news.

I also over saw our Juneau bureau that covered the legislature during the session. Each day, during our teleconference, I would help the young reporters determine which issues to follow for our viewers.

1999-1994 *Weekend Anchor, Newscast Producer, Reporter/Alaska's 11 KTVA*

I began at KTVA as an intern and by the time I left I had been promoted to weekend anchor and producer. I was such an eager and enthusiastic learner that I was named weekend weather anchor after working in the newsroom for only two weeks.

HP/011 | Barbers &
+ hairdressers



Angela Jenette Rosas

P.O. Box 940164
Houston, Alaska 99694-0164
907-892-0828 Home
907-892-0829 Fax
907-355-0868
stagedoorintlstyles@yahoo.com

FILE COPY

Please accept my letter and enclosed resume as an expressed interest in the position of Board of Barbers and Cosmetologist for the State of Alaska in a capacity which would utilize my extensive experience.

As my resume reflects, I have over 20 years of education and experience as both an Owner of a Beauty Salon and Beauty School Instructor and Director. I have maintained an excellent record as an Instructor at Department of Defense School system while stationed with my husband at Ramstein Air Base, Germany. I have extensive experience in organizational office skills, reports and analysis, budget plans, maintaining files, and records. I am confident that I possess the skills and tools necessary to provide a productive and profitable contribution.

Thank you for your time and consideration in reviewing this material. I look forward to your forthcoming response.

Sincerely,

Angela Jenette Rosas

FILE COPY

Resume of:
 Angela Jenette Rosas
 US Citizen

907-892-0828 Home
 907-892-0829 Fax
 907-355-0868 Cell

P.O. Box 940164
 Houston
 Alaska 99691-0164

Professional Experience

- Apr 03 - Present Stage Door International Styles, Wasilla, Alaska
 Owner.
 -Beauty Salon
- Aug 00 - Apr 03 Ebony & Ivory Beauty Salon, Wasilla, Alaska
 Booth Rental:
 -Cosmetologist/Instructor
- Jun 95 - Aug 00 Stage Door International Beauty Academy, College Park, Georgia
 Owner.
 -Director & Instructor of Beauty School

Education

- Sep 78 - Apr 79 Philander Smith College, Little Rock, Arkansas
 -Social Sciences
- Apr 79 - Apr 80 University of Arkansas Pine Bluff, Pine Bluff, Arkansas
 -Social Sciences
- Sep 80 Hanford Community College
 -Clerical
- Sep 81 - Sep 82 Fort Worth Beauty School
 -Cosmetology License
- May 83 Vogue Beauty Academy
 -Cosmetology Instructors License

Licenses

State of Alaska Instructors License No. 12099
 State of Alaska Shop Owners License No. 13272

Anchorage Tattoo Studio

TATTOOING BY LARRY ALLEN & ASSOCIATES

MR. LARRY ALLEN UNGERCHT

OCT 19 2000

OFFICE OF THE GOVERNOR

TELEPHONE
(907) 561-0065

706 WEST BENSON BLVD.
ANCHORAGE, AK 99503

10-17-00

— OFFICE OF THE GOVERNOR

My name is Larry Allen Ungerecht. I am 56 years old & have been the owner of Anchorage Tattoo Studio, Inc. since 1975. I currently employ 7 artists & tattoo in excess of 800 clients a year. I also was part owner of 2 shops in Hawaii 1974-79.

I am applying for a position on the Board of Barber & Hairdressers as a tattoo professional. I was trained by Bob Shaw at the Bert Grimm Studio in Long Beach, Ca. in 1971-1972 and did my advance training by Cliff Raven at the Sunset Strip Studio in Hollywood, CA. in 1974. I was trained to do cosmetic work by Minora Martin at Skin Deep in Honolulu, HI. in 1981. My tattoo work has won numerous national & international awards for over 20 years.

I am an Anchorage Property Owner, 46 present, married with 4 children & 3 grandchildren. I served on the Board of Directors of Local 650, Musicians Union from 1973-1996, was U. P. from 1974-82 and 1984-1991. I was the Local 650 representative to the central Labor Council 1975-1980.

If you have any questions, I can be reached at work (907) 561-0065 w-sun or Home 346-2539, 868-3147. Sincerely, Larry Allen Ungerecht



OFFICIAL BUSINESS

Alaska State Legislature

Senate

STATE CAPITOL, ROOM 213
JUNEAU, ALASKA 99801-1182
(907) 465-3701
FAX 465-2832
EMAIL: senate_secretary@legis.state.ak.us

April 21, 2004

MEMORANDUM

TO: Senator Bunde, Chair
Labor & Commerce Committee

FROM: Kirsten Waid *KW*
Secretary of the Senate

SUBJECT: Governor's Confirmations

Pursuant to AS 39.05.080, President Terriault has referred the following names for legislative confirmation to your committee for a hearing, recommendation and report:

Alcoholic Beverage Control Board

Duane S. Udland - Anchorage
Appointed: 3/27/2004 Reappointed: 4/6/2004 Term Expires: 3/1/2007

State Assessment Review Board

Allen S. Black - Palmer
Appointed: 4/6/2004
Patrick S. Carlson - Kodiak
Appointed: 4/6/2004

Board of Marine Pilots

Robert J. Arts - Anchorage
Appointed: 10/31/2002 Reappointed: 3/24/2004 Term Expires: 3/1/2008

Alaska Workers' Compensation Board

Valarie L. Allmon - Anchorage
Appointed: 4/12/2004 Term Expires: 3/1/2007
Chris N. Johansen - Fairbanks
Appointed: 4/12/2004 Term Expires: 3/1/2007
David Kester - Anchorage
Appointed: 4/12/2004 Reappointed: 3/1/2005 Term Expires: 3/1/2008
James (Jay) N. Rhodes - Ketchikan
Appointed: 9/11/2001 Reappointed: 4/12/2004 Term Expires: 3/1/2007
Patricia J. Vollendorf - Anchorage
Appointed: 4/12/2004 Term Expires: 3/1/2006

KCW:lc
Resumes attached

[REDACTED]
Anchorage, AK 99501

[REDACTED]
[REDACTED]
[REDACTED]

HEALTHY CORPORATION

Browning

Lambert

907-279-3810

Home

Work

907-265-4127

Duane S. Udland

Career Profile

Motivated and dedicated police professional with extensive management experience. Strong leader in diversified work environments requiring excellent interpersonal skills. Committed to a team approach that promotes public satisfaction and image. Loyal and responsive to management goals while sensitive to the needs of employees. Able to motivate others and get things done.

Experienced in project development and implementation. Skilled in contract administration, labor relations, development of policies and procedures, and public relations.

Independent thinker, yet flexible in a variety of working environments. Creative in stressful situations with the ability to make decisions and meet budgetary targets and project deadlines.

Extensive legislative experience. Routinely called upon to act as a representative for the Municipality of Anchorage and other professional organizations during the legislative session in Juneau. Demonstrated abilities in networking with boards, commissions, government officials and political entities.

Education

Eastern Washington State College, Graduate 1973
Bachelor of Arts Degree in Sociology, Minor in Political Science

FBI National Executive Institute, 1998

FBI National Academy, 1987

Spokane Police Academy, 1973

Numerous training seminars in leadership, management, supervision, budgeting, labor law and media relations. Advanced Police Certificate.

Professional experience

NANA Management Services, January 2001 to Present

Hired as Security Manager for Purcell Security, after retirement from a successful career in police work. NANA is a native owned corporation providing a number of management services throughout Alaska. Directly responsible for budgeting, contract management, and supervision of over 200 employees.

Marketing and business expansion are essential responsibilities. Alaska hire is a priority.

Anchorage Police Department, July 1988 to July 2001

Appointed to Chief of Police on February 1, 1997. Initially recruited to the position of Deputy Chief of Police on July 5, 1988. Directly responsible for over 550 employees and a budget of approximately \$45 million. Developed and administered a number of projects and programs that have contributed to a reduction in crime of 41% since 1994.

Presided over a late 1980's budget decline that mandated department downsizing and cutback management. Coordinated a number of technology upgrades. Served as the municipal representative in crucial labor contract talks and employee issues. Developed and implemented a comprehensive reorganization plan that facilitates accountability to the public and encourages creativity at the working level.

Soldotna Police Department, March 1978 to June 1988

Hired as a patrol officer for the City of Soldotna, Alaska. Quickly promoted to Sergeant and appointed Chief of Police in August 1982. Successfully transformed a poorly trained and disorganized department into a respected professional organization recognized for its involvement in the community. Left Soldotna to accept a position with the Anchorage Police Department.

Spokane County Sheriff's Office, April 1972 to January 1978

Served for one year in jail security and then promoted to patrol officer. Promoted to Detective after four years. Recognized as an extremely competent officer and selected for a number of special assignments. Youngest officer to be promoted to Detective after attaining the highest ever score on the civil service exam. Left Spokane to move to Alaska.

**Professional
Memberships
Past and Present**

Alaska Association of Chiefs of Police
International Association of Chiefs of Police
Alaska Peace Officers Association
FBI National Executive Institute Associates
FBI National Academy Graduates
Minority Police Relations Task Force
Homeward Bound
Alaska Police Standards Council
Alaska Criminal Justice Information Advisory Board
Alaska Municipal League
FBI Western States Criminal Justice Information Systems
Boys and Girls Club
Anchorage Chamber of Commerce
Commonwealth North
Women's Resource and Center Board
Criminal Justice Working Group
Commission on Juvenile Justice
Chairman of Kenai Peninsula 911 Board
Alaska State Sentencing Commission

STATEMENT OF QUALIFICATION
ALLEN S. BLACK

BUSINESS ADDRESS: Matanuska-Susitna Borough [REDACTED]
Palmer, Ak 99645-6448

BUSINESS AFFILIATIONS: - Borough Assessor, Assessment Division, Finance
Department, Matanuska-Susitna
Borough, Palmer AK 907-745-9647

LICENSES/CERTIFICATION: - Certified Tax Appraiser, States of CO, OR, WY
- IAAO Accredited Member
- Certified General Appraiser, State of Colorado,

EXPERIENCE:

2003 to current Borough Assessor, Matanuska-Susitna Borough
1999 - 2003 Administrator, Ad Valorem Taxation, State of Wyoming
1999 - 1999 Director of Assessment & Taxation, Co-Acting County Clerk, Clatsop
County, Astoria, OR
1993 - 1998 County Assessor, Eagle County, Eagle, CO
1991 - 1993 Division Analyst, Eagle County Assessor, Eagle, CO
1989 - 1991 Chief Appraiser, Eagle County Assessor, Eagle, CO
1986 - 1988 Area Manager, Marvin F. Poer & Co., Englewood, CO
1979 - 1986 Assessor, Arapahoe County, Littleton, CO
1973 - 1979 Staff Appraiser, Arapahoe County Assessor, Littleton, CO
1972 Staff Appraiser, Arapahoe Appraisal Co., Littleton, CO

EDUCATION:

GENERAL - BA degree, University of Denver, 1971

SPECIFIC - Thousands of classroom hours of assessment and appraisal
training.

BOARDS & COMMISSIONS

APR 28 2003

Dec. 9, 2003

PATRICK S. CARLSON

A skillful, accomplished manager, with state of the art technical skills and a documented history of successful performance in complicated and sensitive political environments.

SUMMARY OF QUALIFICATIONS

- 3 years experience as Kodiak Island Borough Manager.
- 15 years experience as Assessor and Acting Mayor/Manager.
- 15 years as an active member of the Kodiak Emergency Services Organization and Incident Command System.
- 18 years experience in Local Government Management.
- 23 years experience in the Real Estate and Appraisal industry.
- A comprehensive technical knowledge of computer applications.
- An extensive knowledge of the Kodiak Island Borough demographics, history and citizens.
- Commended for fiscally responsible budgeting and financial planning.
- Crisis proven knowledge and experience in Emergency Services Operations and Incident Command Systems.
- Excellent communication skills, both oral and written.
- Recognized for outstanding negotiation skills.
- 8 years experience in the US Coast Guard and Merchant Marine in the Great Lakes, Bering Sea, Gulf of Alaska, Arctic Ocean, and Pacific waters.

PROFESSIONAL BACKGROUND

Kodiak Island Borough, Kodiak, AK

2001-present

Manager, serves as administrative head of Borough operations including oversight of enterprise funds with a total budget in excess of \$25,000,000 and 37 personnel. The Borough owns and operates the hospital, fisheries research facility, land fill and over 30,000 acres of land along with general fund responsibility for functions such as assessment and taxation, planning and zoning and facility support. This position has required extensive public outreach and coordination with the policy boards and other agencies. This is especially so in a jurisdiction of over 15,000 square miles of area and home to the United States largest Coast Guard base and the State of Alaska's commercial rocket launch facility.

Kodiak Island Borough, Kodiak, AK

1989-present

Assessor, served as department head for the Assessing department and also served as support to the Mayor, and then the Manager after the change in government.

- Administered the US Fish & Wildlife PILT appeal resulting in an increase of the property valuation from \$37,950,700 to \$90,632,090, resulting in additional annual revenues to the Kodiak Island Borough of over \$298,000 per year
- Administered the Shuyak Island land sale to the State of Alaska, resulting in an increase of the sale price from \$27,000,000 to the Assessor's appraisal of \$36,500,000 yielding additional revenues to the Kodiak Island Borough of \$9,500,000.
- Implemented the Kodiak Island Borough Severance Tax, resulting in annual revenues to the Borough averaging \$1,000,000 per year.
- Testified and served as Borough representative in the Exxon Valdez Oil Spill litigation, along with performing and successfully defending the Assessor's appraisal, generating anticipated settlement funds of over \$20,000,000.
- As Assessor, the taxable roll of the Kodiak Island Borough has increased from less than \$437,000,000 to over \$750,000,000, while only incurring 13 formal appeals over a 12-year period.
- As Assessor, the department has always operated within its budget and at an increasing level of efficiency through the implementation of cost effective business practices and the efficient use of computer assets, while maintaining exemplary customer service practices.
- Efficiently implemented the E-911 address system, a computerized mass appraisal system, and a system for valuing business property, all three of which yielded substantial staff and monetary savings for the Borough.

Fairbanks North Star Borough, Fairbanks, AK.

1985-1989

Lead Appraiser, served as lead appraiser over the Commercial and Land Departments, after initially serving as Land Appraiser.

Dec. 9, 2003

- As Lead Appraiser in charge of a 10-person appraisal staff, administered the complete and comprehensive appraisal of over \$3,000,000,000 of taxable property, by implementing computer-assisted mass appraisal techniques. Many of the techniques, policies and procedures implemented are still in use today.
 - As Land Appraiser, conducted the appraisal of over 45,000 parcels, along with the creation of a computerized land appraisal system, generating a substantial reduction of staff time for this function.
- Coldwell Banker Great Land Realty, Fairbanks, AK. 1981-1985
- Worked as a successful real estate sales agent with a focus on land sales and development.
- Crowley Maritime d/b/a Puget Sound Tug and Barge, Seattle, WA 1980-1981
- Served as Navigator on high seas tugs operating in Arctic, Alaskan and North Pacific waters.
- Sause Brothers Tug and Barge, Coos Bay, OR. 1979-1980
- Served as Mate operating tugs on the West Coast of the United States.
- Tidewater Barge Lines, Vancouver, WA. 1978-1979
- Served on tugs operating on the Columbia and Snake Rivers.
- United States Coast Guard, AK, HI, MI. 1974-1978
- Served as 1st class Petty Officer at the Marine Safety Office in Honolulu, HI, inspecting marine vessels and supervising emergency oil spill operations along with safety inspections.
 - Served as senior Petty Officer on the USCGC Jarvis, in charge of a deck crew of 30 personnel, on high seas patrols in Alaskan waters and throughout the northern Pacific Ocean.
 - Served as junior Petty Officer on the USCGC Raritan in search and rescue and icebreaking operations in the Great Lakes region.
 - Served in numerous duties, including Aids to Navigation maintenance and repair, along with search and rescue, in the Great Lakes region.

FORMAL EDUCATION

- IAAO, AAAO, AI & NRWA Technical Courses (500+ hours) 1987-present
- University of Alaska, Fairbanks AK - Business Administration 1983-1986
- California Maritime Academy, Vallejo CA 1973-1974

PROFESSIONAL MEMBERSHIPS & POSITIONS

- Member, Alaska Municipal Management Association 2001-present
- Member, Alaska Municipal League, Legislative Committee 1999-present
- President, Alaska Association of Assessing Officers 1999-2001
- Chairman, Alaska Association of Assessing Officers Standards Committee 1997-2001
- Certified Assessor, Alaska Association of Assessing Officers 1991-present
- Member, International Association of Assessing Officers 1989-present
- Member, Alaska Association of Assessing Officers 1985-present
- President, Alaska Association of Assessing Officers 1995-1997
- Board of Directors, Alaska Association of Assessing Officers 1991-1992
- President, Kodiak Toastmasters Club 1991-1992
- Past Member, American Legion, Fairbanks Post 1981-1989
- Past Member, National Board of Realtors 1980-1985
- Past Member, Masters, Mates and Pilots 1980-1981
- Past Member, Inland Boatmen's Union of the Pacific 1978-1981
- USCG Licensed Operator Tugs and Towboats, Able Seaman Any Waters

AWARDS

- Outstanding Contribution Award, Alaska Municipal League 1993
- Nominee, Alaska Employee of the Year, Alaska Municipal League 1990
- Numerous other awards, commendations and citations.

SELECTED REFERENCES

Many references are available on request but my personal philosophy and driving goals are best summed up by the quote, "Pat Carlson's commitment to excellence in public service is truly outstanding".



ALASKA MARITIME AGENCIES

4341 B Street, Suite 101, Anchorage, Alaska 99503

Tel: (907) 562-8800

Fax: (907) 562-8810

Tlx: 5733427 (MCI)

Cable: ALAMAR

April 19, 2004

Ms. Laraine Derr
Office of the Governor
Box 110001
Juneau, Alaska 99811

RE: UPDATED RESUME – ROBERT ARTS

Dear Ms. Derr,

Thank you for calling last week and reminding me to submit an updated resume as part of the application process for the Board of Marine Pilots. I have just returned from the scheduled April BMP meeting in Juneau. It has been a pleasure to serve the Governor on this board and I hope to continue doing so at his pleasure.

I have lived in Alaska since 1975 and for many years made my home in Valdez. I served as president of the Valdez Convention and Visitors Bureau and the president of the World Extreme Skiing Championships during this time. I was promoted to Valdez Port Manager for Alaska Maritime Agencies in 1986 and continued in that capacity until I transferred to our Anchorage office in 1994. I was subsequently promoted to Vice-President with Alaska Maritime Agencies.

Since moving to Anchorage in 1994, I have been involved with many aspects of the maritime industry in the state of Alaska including managing a cruise ship port (Seward), heading up a new cruise ship security company providing port security for cruise vessels and vessel operations of many types from bulk ships, tankers, log ships and container ships. I understand the State pilotage system and regulations quite well and also understand the unique challenges of shipping in a state as vast as Alaska.

Regarding the company that employs me, Alaska Maritime Agencies is a shipping agency providing port agent services to vessels and has been operating in the state of Alaska since the 1950's.

Thank you for the opportunity to serve,
ALASKA MARITIME AGENCIES

Robert J. Arts
Vice President

To: Linda Snyder
From: Valarie Allmon
Re: Resume
Date: April 12, 2004
Fax: 6 Pages

Fax Received
APR 12 2004
Office of the Governor

Let me know if you need additional information.

Thank you,

Valarie Allmon

Valarie Allmon

(907) 344-5547 (Home)

(907) 441-5134 (Cell)

(907) 868-1117 (Fax)

Valarie@gci.net (email)



STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 P.O. Box 110001, Juneau, AK 99811-0001
 Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION/RESUME FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resumé. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission for which I am applying: Workers' Compensation Board

Please list any other State Boards or Commissions on which you currently or previously have served:

Name: Valarie L. Allman

Mailing Address: 8050 Chippertree Circle

Residence Address: same

City, State and Zip Code: Anchorage, AK 99507

Home Telephone: (907) 344-5544 Business or Message Telephone: _____

Fax Number: (907) 868-1117 Cell Phone: (907) 441-5134

Email address: Valarie @ gai.net

AS 39.05.100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter? YES NO

Voter Registration Number (Optional): _____ Social Security Number (Optional): _____

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO If "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.040. If required for the board or commission for which you are applying, are you willing to do so?
 YES NO

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO

If "YES", explain:

TRAINING AND EXPERIENCE: (If resumé attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

B. List both formal and informal education and training experiences: (Use additional paper if necessary)

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time served.

D. Employment work history - paid, unpaid or voluntary: (Use additional paper if necessary)

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: _____

SEX: Male _____ Female _____

ETHNICITY: Alaska Native ___ American Indian ___ Asian or Pacific Islander ___ Black ___ Hispanic ___ White ___

MILITARY SERVICE (if applicable, give dates): _____

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): Valerie Allman Date: 4/12/04

Valarie L. Allmon

Anchorage, Alaska 99507

A highly motivated, experienced Workers' Compensation professional with skills in all areas of the Alaska Workers' Compensation Statute.

Highlights of Qualifications

- Over eight years experience in Workers' Compensation Administration
- Excellent communication skills used in presentations to all levels of employees and creation of Workers' Compensation Handbook for over 1000 employees
- Strong organizational skills and efficiency used in processing medical payments for approximately 135 claimants
- Ability to perform all functions within the Workers' Compensation system
- Committed to providing quality service, dependable and professional
- Excellent computer skills used with Microsoft Office programs such as Word and Excel

Professional Experience

**Workers' Comp. Specialist
2003**

Alyeska Pipeline Service Co.

1994 to March

- Administer the Workers' Compensation Program within the guidelines of the Alaska State Statutes through: (1) Adjusting, (2) Communicating, (3) Negotiating, (4) Advising and Assisting, (5) Controverting
- Responsible for managing and coordinating over approximately 135 workers' compensation claims.
- Ability to make and implement decisions.
- Responsible for allocating workers' compensation budget over one million dollars.
- Responsible for coordinating claims activity with employees, medical providers, case manager, attorneys and appropriate department managers within Alyeska.
- Oversight of workers' compensation claims by educating and assisting H/R generalists, managers, team leads and employees in understanding the policies and procedures of the workers' compensation program.
- Audit, authorize and prepare payments for compensation benefits, medical and legal expenses.
- Prepare and distribute workers' compensation statistical data to management, auditors and owner companies.
- Prepare and submit the following reports to the State of Alaska, Division of Workers' Compensation.
 - 1) Application for Self-Insurance Renewal
 - 2) Workers' Compensation Annual Report
 - 3) Second Injury Fund

Education

- Associate Degree – Business Administration, University of Alaska, Anchorage, May 1998
- Currently 14 classes away from Bachelor Degree in Business Administration, University of Phoenix, Distance Education Program
- Certified Workers' Compensation Professional (CWCP) Michigan July 2000
- Intermediate Workers' Compensation Certificate – Denver, July 1997
- Basic Workers' Compensation Certificate – Denver, June 1995

Employment History

May 94 to Present	Alyeska Pipeline Service Company	W/Comp. Analyst/Specialist
May 91 to May 94	Alyeska Pipeline Service Company	Sr. H/R Admin. Assistant
Oct. 90 to Apr. 91	Alyeska Pipeline Service Company	Payroll Clerk
Apr. 84 to Oct. 89	Veco, Inc. - Prudhoe Bay	Office Mgr./Supervisor
Dec. 77 to Mar. 84	Veco, Inc. - Prudhoe Bay	Payroll Clerk/Data Tech. 3

Additional Work History

Small Business Owner April 2003 to Present

Business Name: Desert Designs
 www.desert-design.net

I sell Southwestern Pottery and African American Centric Products. If you required additional information, please let me know.

January 15, 2004

6269

State of Alaska
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

Attn: Boards and Commissions Coordinator

Subject: Letter of Interest - Workers Compensation Board

To Whom It May Concern:

I would like to ~~express my interest in serving on the Workers Compensation Board~~ serving the 2nd/4th JD representing Industry. It is my understanding that the term of the present board member will expire on March 1, 2004.

I am a lifelong Alaskan who has been involved in the oil and gas/construction industry for over 25 years. For the past 15 years I have been involved in developing and administering the Safety Program for Flowline Alaska. In doing so, I have been intimately involved in the Workers Compensation program. I believe that I have the skills necessary to represent the Industry on matters to come before the Workers Compensation Board.

Sincerely,

Chris Johansen

[Redacted]

Fairbanks, AK 99709

[Redacted] (907) 479-4564 hm

(907) 455-1253 wk

[Redacted] (907) 456-1194 Fax



STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 P.O. Box 110001, Juneau, AK 99811-0001
 Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION/RESUME FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resumé. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission for which I am applying: WORKERS COMPENSATION BOARD

Please list any other State Boards or Commissions on which you currently or previously have served:
 NONE

Name: CHRIS N. JOHANSEN

Mailing Address: 680 YAK RD. FAIRBANKS, AK 99709

Residence Address: 680 YAK RD.

City, State and Zip Code: FAIRBANKS, AK 99709

Home Telephone: [REDACTED] Business or Message Telephone: (907)455-1253

Fax Number: [REDACTED] Cell Phone: [REDACTED]

Email address: [REDACTED]

AS 39.05.100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter? YES NO

Voter Registration Number (Optional): [REDACTED] Social Security Number (Optional): [REDACTED]

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES NO If "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for will be evaluated and a determination will be made after a review of all relevant facts.

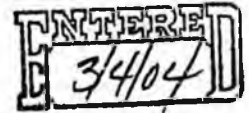
CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
 YES NO

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES NO

Post-it* Fax Note	7671	Date	3/5/04	# of pages	13
To	SOA - Boards & Commissions		From	Dave Kester	
Co./Dept.			Co.		
Phone #			Phone #		
Fax #	(907) 465-3532		Fax #		

March 3, 2004

State of Alaska
 Office of the Governor
 Boards and Commissions
 P.O. Box 110001
 Juneau, AK 99811-0001



Subject: Letter of Interest – Workers Compensation Board

To Whom It May Concern:

I would like to express my interest in serving on the Workers Compensation Board serving the 3rd JD representing Industry. Based on the Boards & Commissions website, it is my understanding that this position is currently vacant.

I have lived in Alaska for over 12 years. I have been employed in the Insurance Industry for 17 years and insurance has been my only carrier after graduating from Boise State University. For the first 9 years, I was a Workers' Compensation Underwriter with Industrial Indemnity. I have been a licensed Commercial Insurance Broker with Ribelin Lowell & Company placing workers' compensation and other commercial lines coverages for a wide variety of businesses for over 8 years. I hold the industry designation Chartered Property & Casualty Underwriter (CPCU) and I serve as our firm's insurance Compliance Officer. I believe that I have the experience and skills necessary to represent Industry on matters to come before the Workers Compensation Board. In addition, my desire is to maintain and promote a fair and equitable workers' compensation system that would be beneficial to all individuals in the state of Alaska.

Attached you will find a short Biography along with a Boards and Commissions Application and APOC Financial Disclosure Statement. Please feel free to call me should you have any questions and I look forward to hearing from you soon.

Sincerely,

Dave Kester, CPCU
 3111 "C" Street, Suite 300
 Anchorage, AK 99503
 (907) 561-1250 phone
 (907) 561-4315 fax
 dave.kester@ribelinlowell.com

Fax Received
 MAR 04 2004
 Office of the Governor



STATE OF ALASKA
 OFFICE OF THE GOVERNOR
 P.O. Box 110001, Juneau, AK 99811-0001
 Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION/RESUME FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resumé. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission for which I am applying: Workers' Compensation Board - 3rd JD/Industry

Please list any other State Boards or Commissions on which you currently or previously have served:

Name: David (Dave) A. Kester

Mailing Address: 311 "C" Street, Suite 300, Anchorage, AK 99503

Residence Address: [REDACTED], Anchorage, AK 99507

City, State and Zip Code: Anchorage, AK 99503

Home Telephone: [REDACTED] Business or Message Telephone: (907) 561-1250

Fax Number: [REDACTED] Cell Phone: _____

Email address: [REDACTED]

AS 39.05.100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter? YES NO _____

Voter Registration Number (Optional): _____ Social Security Number (Optional): _____

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO If "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?

YES NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO

If "YES", explain:

TRAINING AND EXPERIENCE: (If resumé attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

Chartered Property & Casualty Underwriter (CPCU)
State of Alaska - Life, Health, Property, Casualty & Surplus Lines Insurance
License (#13329)

B. List both formal and informal education and training experiences: (Use additional paper if necessary)

B.A. in Finance @ Boise State University

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time served.

Big Brothers Big Sisters - 3+ yrs.
Alaska Chapter National Down Syndrome Congress (Int. Past President) - 5yr
Rotary - 8 yrs.
Commonwealth North - 8 yrs.

D. Employment work history - paid, unpaid or voluntary: (Use additional paper if necessary)

9/95 - present - Ribelin Lowell & Company - All Lines Commercial Broker
1/87 - 9/95 - Industrial Indemnity - Workers' Compensation Underwriter

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: 1/1

SEX: Male Female

ETHNICITY: Alaska Native ___ American Indian ___ Asian or Pacific Islander ___ Black ___ Hispanic ___ White ___

MILITARY SERVICE (if applicable, give dates): None

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink):  Date: 3/3/04

Biography for Dave Kester

Dave was raised in Idaho Falls, Idaho. He attended college at Boise State University where he earned a Bachelor of Administration degree in Finance. After graduation, he was employed as an Underwriter by Industrial Indemnity Insurance Company in January of 1987. He continued his education by earning the insurance industry designation of Chartered Property & Casualty Underwriter (CPCU) in October, 1991. Also at that time, he transferred from Industrial's Boise office to their Anchorage office where he worked as a Senior Underwriter until September of 1995. Then he went to work on the sales side of insurance by accepting a position as a Producer with Ribelin Lowell & Company Insurance Brokers, Inc. where he is employed today.

Dave likes to remain active in the community and various civic organizations. He is a member of Anchorage East Rotary and Commonwealth North. He is the immediate past president of the Alaska Chapter National Down Syndrome Congress. He is a Big Brother with the Big Brothers Big Sisters Program in Anchorage and also serves on their Board of Ambassadors. He has been a member of the Christian Businessmen's Committee since March of 1993.

Dave likes to remain active in the community and various civic organizations. He is a member of Anchorage East Rotary and Commonwealth North. He is the immediate past president of the Alaska Chapter National Down Syndrome Congress. He is a Big Brother with the Big Brothers Big Sisters Program in Anchorage and also serves on their Board of Ambassadors. He has been a member of the Christian Businessmen's Committee since March of 1993.

RESUME | WORKERS
COMP

James (Jay) N. Rhodes
[REDACTED]
Ketchikan, Alaska 99901
[REDACTED]
907-225-7542

July 5, 2001

Office of Governor
Boards & Commissions
PO Box 110001
Juneau, AK 99811-0001

To Whom It May Concern:

I am very interested in serving on the Workers' Compensation Advisory Board as a representative of labor. I realize that this is a serious commitment but one that I am willing to accept and fulfill.

I was born and raised in Southeast Alaska and have chosen to make it my home for all of my 41 years.

Working in both the public and private sectors, I have always been an advocate of safety and realize that it is up to both the employer to provide a safe work environment as well as the employees to conduct their work in a safe manner.

Throughout my life and through my involvement in organizations, boards and committees, I understand the importance of looking at both sides of an issue.

I believe I possess the honesty, integrity and ability to remain unbiased when making important decisions knowing they will affect the lives of others.

Respectfully,

Jay Rhodes
James (Jay) N. Rhodes

JAMES (JAY) N. RHODES

OBJECTIVE

To serve as a labor representative on the Workers' Compensation Advisory Board.

EXPERIENCE

- Alternate on IBEW, Local 1547, Unit 104 Executive Committee
- 1999 – Present Shop Steward
- 1995 – Present Member of IBEW, Local 1547
- 1993 – 1997 Ward Cove Federal Credit Union, Board of Directors and Loan Committee
- 1989 – 1995 Active member of Benevolent & Protective Order of Elks

EDUCATION

- High School Diploma, Ketchikan High School
- Certificate of Diesel Mechanics, Alaska Vocational Technical Center 1978

EMPLOYMENT

- 1995 – Present Ketchikan Public Utilities, Powerhouse Mechanic
- 1983 – 1995 Boyer Towing, Inc., Head Mechanic & Tug Boat Engineer

INTERESTS

Boating, camping, fishing, hiking, skiing, bicycling and working on the house.

App / Workers Comp / 110

Patricia A. Vollendorf
5403 North Star Street
Anchorage, Alaska 99518
(907) 562-5116

WORK HISTORY

Anchorage School District - Mentor Program	1998-Present
State of Alaska Workers' Compensation Board	1993-1997
Royal Highway Tours Customer Service Representative/Main Office	1998-2001
Anchorage School District Elementary Education	Retirement Effective June 30, 1993 1963-1969/1975-1993
Granston Rhode Island School District Elementary Education	1960-1963

EDUCATION

Master of Arts	University of Connecticut Degree Completed 1963
Bachelor of Arts	University of Rhode Island Degree Completed 1960

ACTIVITIES

1990-1993 Fairness Representation and Affective Need, Turnagain Elementary
1990-1993 Equal Opportunity Employment, Turnagain Elementary
1992-1993 Legislative Contact, Turnagain Elementary
1992-1993 School wide Discipline Committee, Turnagain Elementary
1992-1993 Multi-Cultural Native Emphasis Week, Turnagain Elementary
1992-1993 Grade Level Chairperson, Turnagain Elementary
1988-1993 Sexual Harassment Contact Person, Turnagain Elementary

MEMBERSHIPS

NEA-Alaska; 1963-1969, 1975-1993; Active Member
Saint Benedict Catholic Church
Parent/Teacher Association; 1960-1993
Rhode Island Teachers Association
University of Rhode Island Alumni Association

AWARDS

Turnagain PTA Phoebe Apperson-Hearst Outstanding Educator of the Year

4/29/04

OVERVIEW:

**BLUE CROSS/
PREMERA**

PREMERA

CONVERSION

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Premera Task Force Communications Plan
March 16, 2004

Background. In May of 2002, Premera Blue Cross Blue Shield (Premera), a non-profit healthcare insurer, proposed a conversion from a nonprofit to a profit corporation in the Alaska and Washington markets. Historically, Blue Crosses have been non-profit insurers that were dedicated to providing affordable, adequate healthcare coverage. Premera is one of the largest insurers in Washington and Alaska. This particular proposal affects Alaska and Washington, but similar actions have been proposed and considered elsewhere.

Because such conversions potentially have major impacts on consumers, they must be approved by state insurance regulators. From September through November of 2002, both the Washington and Alaska insurance regulators, Washington Office of Insurance Commissioner (OIC) and the Alaska Division of Insurance (DOI), held public hearings to elicit public comments regarding the potential impact of Premera's proposed conversion. Ultimately, adjudicatory hearings will be held in both states to evaluate the considerable information developed to assess the rationale for the proposal, the potential impacts of the conversion, and the plans for distribution of any assets following conversion.

Proceedings in Washington have been moving ahead through the OIC. With the permission of the OIC Commissioner, the following Washington organizations have intervened in the action: Premera Watch Coalition, Washington State Hospital Associations, and the Washington State Medical Association. The OIC Commissioner also granted intervenor status to several Alaska consumers: the University of Alaska, Anchorage Neighborhood Health Center, United Way of Anchorage, and an individual named John Gamer.

Premera, the Washington Office of Insurance Commissioner, and the intervenors solicited expert reports from consultants to evaluate Premera's proposal, to identify and assess potential public impacts, and to discuss the potential ways to address such impacts through the distribution of assets post-conversion. The experts' reports were released in November 2003.

(<http://insurance.wa.gov/news/dynamic/newsreleasedetail.asp?redNum=373>). The Washington hearing on the proposal is scheduled for May 2004.

The Alaska Division of Insurance hearing will follow Washington's and is scheduled for June 2004. The Alaska Director of Insurance has denied intervenor status to any party, but has granted amicus curiae (friends of the court) status to the University of Alaska, Anchorage Neighborhood Health Center, United Way of Anchorage, John Gamer, and Theresa Obermeyer. The amici will be able to participate at the hearing, but on an extremely limited basis. The DOI also solicited expert reports on the potential impact of Premera's conversion on the Alaska healthcare market. Those reports on the potential impact of the proposed conversion in Alaska were released in early February 2004 and are available at <http://www.dced.state.ak.us/ins/premera.html>. In summary, the reports concluded:

- The conversion will cause a one-time premium rate increase between 2 and 5%.
- After conversion, rates would not be subject to regulatory rate approval.
- The number of medically uninsured people will increase.
- The provider network will not likely be negatively affected.
- Premera could withdraw in the future from less profitable business lines.
- Alaska should be separate from Washington in managing post-conversion asset distribution.

In response to the many concerns identified by the OIC and DOI consultants, Premera modified its initial application in early February 2004. Both the OIC and DOI consultants have issued supplemental reports and those will be available to the public by mid- to late March.

The Washington Office of Insurance Commissioner and Alaska Division of Insurance websites contain further information regarding the proceedings. Websites: www.insurance.wa.gov and <http://www.dcec.state.ak.us/insurance>.

Alaska Premera Task Force. Because of the potential impacts on health care for Alaskans from the proposed conversion, several people and organizations came together to study the issues. The group, loosely known as the Premera Task Force, consists of individuals associated with: Access Alaska, AkPIRG, Alaska Mental Health Trust, Alaska Department of Health and Social Services, Alaska Legal Services Corporation, Alaska Native Health Board, Alaska Nurse Practitioners Association, Alaska State Chamber of Commerce, Alaska State Hospital, Alpine Alternatives, Alyeska Pipeline Service Co, Anchorage Chamber of Commerce, Anchorage Neighborhood Health Center, Anchorage School District, Alaska Native Tribal Health Consortium, AARP, Inc., Denali Commission, Disability Law Center of Alaska, The Foraker Group, McKinley Capital, Northrim Bank, Rasmuson Foundation, Representative Sharon Cissna, Title Wave Books, United Way of Anchorage, and the University of Alaska. The work of the Task Force is funded by the Rasmuson Foundation through the nonprofit Foraker Group.

Alaska Premera Conversion Task Force View. The Task Force as a group currently takes no position on whether the proposed conversion should be approved. Rather, the Task Force's objectives are to:

1. Ensure a thorough evaluation of the impacts the proposed conversion could have on health care and ~~health care costs in Alaska.~~
2. Ensure, if the conversion occurs, that the Premera asset distribution is fair to Alaskans.
3. Ensure that a nonprofit foundation is created with assets provided through the conversion, to be operated in perpetuity for the benefit of Alaskans' health needs.

Alaska Health Foundation. In order to ensure a continuation of health care protection for Alaskans should the conversion occur, the Task Force formed a non-profit foundation called the Alaska Health Foundation to manage assets distributed post-conversion. Ideally, the Foundation will serve as the recipient, holder, and distributor of Premera's assets (the amount designated for Alaska), upon conversion approval. The Foundation's founding board members are Ed Rasmuson, Chairman of the Board of Directors for the Rasmuson Foundation; Valerie Davidson, Executive Vice President Yukon-Kuskokwim Health Corporation; and Dr. Tom Nighswander, MD MPH physician Alaska Native Medical Center. Once the Alaska Health Foundation acquires assets post-conversion, it will establish a full initial Board with up to 15 directors chosen to maintain reasonable diversity of views, expertise, experience, and geographical representation. A community advisory group will advise the Board on the initial and subsequent Director appointments.

The Task Force believes the funds should remain directed toward the health and wellness of Alaskans and the Foundation by-laws necessitate the use of funds solely for healthcare related activities. The purposes of the established Alaska Health Foundation are to:

1. improve the availability of quality, affordable health care and related services;
2. address the unmet health needs of Alaskans;
3. support the education and availability of health care providers in Alaska and

- develop more efficient and effective models for promoting health in the state;
4. support programs of study and research aiming to make health and wellness resources more comprehensive, flexible, and efficient within Alaska;
 5. support initiatives to address short and long-term public health needs and concerns; or
 6. otherwise serve the health needs of residents of State of Alaska.

Premera initially proposed a single foundation for Washington and Alaska. Once the post-conversion assets were sold, separate nonprofit organizations in Washington and Alaska would disburse the funds for health care initiatives. After several weeks of discussions with the insurance regulatory agencies of Washington and Alaska and their respective consultants, Premera revised its foundation proposal to create separate foundations for each state, both of which would receive Premera's stock and be dedicated to improving healthcare in those states.

However, Premera's proposal calls for the foundation's Board of Directors to be appointed by the Attorney General's (AG) office. Thereafter, the Board of Directors will appoint new members. Neither the AG nor the subsequent directors are required to seek the advice or nominees from a community advisory group.

Communications Plan. The Alaska Premera Task Force wants to make sure that Alaskans are aware of this issue in whatever depth is appropriate before there is any immediate need for action. In general, this means that it needs to communicate why the issue is important, what the consultants report predict, and why it matters for Alaskans. The following lists those individuals or groups that need to be kept informed at some level.



**COSTS,
COMMITMENT
AND LOCALITY:
A COMPARISON OF
FOR-PROFIT AND
NOT-FOR-PROFIT
HEALTH PLANS.**

PREPARED BY:
TRÉO SOLUTIONS
FOR THE
ALLIANCE FOR ADVANCING
NONPROFIT HEALTH CARE.

Executive Summary

Following on the heels of the first national study demonstrating differences in the community benefits provided by not-for-profit and for-profit HMOs¹, this study of the New York State market shows significant differences in premiums, administrative overhead and commitment to safety net coverage between non-profit and for-profit health plans. This study shows that for-profit health plans do act differently than not-for-profit plans in terms of performance, efficiency, and contribution to safety net programs. Moreover, it suggests that not-for-profit health insurers operating in a predominantly for-profit market act in many ways like for-profits.

The New York State insurance market provides an ideal study environment because one can compare a large number of policyholders and plans in both business models (for-profit and not-for-profit) that share an identical legislative and regulatory environment. New York has large populations being provided coverage under both models and no allowances had to be made for state-to-state political and/or legal differences. Specifically, this study shows that:

¹ Schlesinger, M., S. Mitchell and B. Gray, Summer 2003. Measuring Community Benefits Provided by Nonprofit and For-Profit HMOs. Inquiry 40: 114-132.

Executive Summary (Cont.)

- The downstate insurance market is predominantly for-profit, while the upstate market is almost entirely not-for-profit. The recent conversion of Empire Blue Cross Blue Shield to a for-profit model moves the downstate market further into the for-profit column, while the upstate region remains not-for-profit.
- Insurers in the upstate not-for-profit market are more administratively efficient than insurers in the downstate region. Compared to the downstate region, insurers in upstate New York spent 1.5% less of their operating revenues on administrative expenses. The additional 1.5% of spending on administrative expenses downstate totals \$137,000,000.
- Upstate insurers spend significantly more of the revenues received on payments for medical care. Downstate insurers spent 80.4% of operating revenues on medical care. Upstate insurers spent 87.7% of operating revenue on medical care. If health care spending patterns downstate were similar to upstate, the additional 7.4% allocated to medical care would total \$678,000,000.
- A lower level of investment in medical care in the downstate region translated into

higher underwriting gains, which totaled 8.1% of operating revenue. Plans in the upstate region reported underwriting gains of only 2.3%.

- Not-for-profit insurers offer more cost effective (i.e., lower) premium options for consumers. In 2002, the upstate market had the lowest operating revenues (premiums) statewide, averaging \$184 per member per month (pmpm) in, and the not-for-profit plans downstate averaged \$203 pmpm. Premiums in the for-profit segment of the downstate market averaged \$221 pmpm in 2002.²
- The not-for-profit upstate market has proved its viability, while maintaining commitments to NYS safety net and Medicare programs. The not-for-profit upstate market experienced a \$12 million loss in NYS safety net programs in 2002, but generated \$131 million in underwriting gains for all product lines combined. Furthermore, upstate revenue gains in 2002 exceeded 2001 results by \$45 million.
- Not-for-profit HMOs, both upstate and downstate, participate in state-sponsored safety net programs to a far greater degree than the downstate for-profit managed care organizations. Within the plan group selected for this study, the not-for-profit plans supported 88% of the enrollment in New York State sponsored programs,

compared with for-profit plans, support of only 12% of safety net membership.

- Not-for-profit plans have also demonstrated a higher level of dedication to the Medicare Plus Choice product line than for-profit insurers downstate. In 2002, not-for-profit plans enrolled 73% of this population of 385,000 elderly statewide. Despite the favorable financial returns in the product line, for-profit insurers downstate enrolled only 105,000 Medicare Risk members in 2002, or 27% of the statewide total.

The emergence in New York of healthcare insurance markets that are predominantly for-profit raises significant public policy issues, especially with reference to community benefits and services. Should the upstate health insurance environment change with the entrance of for-profit plans, or conversion of existing plans to for-profit status, the upstate market is likely to look very similar to the downstate in that:

- There will be diminished access to care for the at-risk population;
- Premium costs will be higher;
- Administrative costs will be higher.

The healthcare insurance market upstate would become less attentive to the provision of public goods as insurers strive to maximize their economic advantages.

² It was beyond the scope of this study to specifically determine what factors explain the differences in premium levels, such as the costs of doing business upstate or downstate or factors endemic to for-profit or not-for-profit status.

The movement from not-for-profit health insurance markets to predominantly for-profit markets raises a number of fundamental issues: ▲

Do not-for-profit and for-profit markets behave differently in terms of performance, efficiency and contribution to safety net programs? ▲

A. Purpose

The healthcare delivery and financing system in New York State has changed dramatically over the past ten years. Historically, the majority of insurers and healthcare providers have supported and operated within the not-for-profit model, committed to meeting the healthcare needs of their service areas and reinvesting assets within those communities. As the economics of healthcare has changed, a number of for-profit plans have entered the marketplace, and some not-for-profit insurers have responded by moving to for-profit models, arguing that for-profit status would provide access to new capital markets. This trend has occurred primarily in the New York City marketplace, with the conversion of Empire Blue Cross Blue Shield serving as the most recent example.

The movement from not-for-profit health insurance markets to predominantly for-profit markets raises a number of fundamental issues:

- Do not-for-profit and for-profit markets behave differently in terms of performance, efficiency and contribution to safety net programs; and
 - Can not-for-profit health insurers remain competitive and economically viable in New York State with access to sufficient funds for growth?
- The upstate insurance environment remains dominated by not-for-profit insurance organizations. There has been minimal pressure in the upstate market for insurers to convert to for-profit status so as to remain competitive. Should this environment change with the entrance of for-profit plans, or conversion of existing plans to for-profit status, the upstate health insurance market is likely to look very similar to the downstate marketplace identified in this study.
- The analysis that follows will define and compare the upstate and downstate insurance markets with regard to enrollment trends, profitability and distributions of healthcare expenditures.³ Implications for the viability of the not-for-profit insurance market and contributions to safety net programs will be thoroughly explored based upon review of the selected indicators. Although some 2001 data findings will be discussed, the bulk of the analysis in the report is derived from 2002 managed care data.
- Do not-for-profit health insurers behave differently in predominantly for-profit markets as opposed to not-for-profit dominated markets;

³ The New York State insurance market provides an ideal study environment because one can compare a large number of policyholders and plans in both business models (for-profit and not-for-profit) that share an identical legislative and regulatory environment. New York has large populations being provided coverage under both models and no allowances had to be made for state-to-state political and/or legal differences.

B. Overview of the NYS Insurance Markets

Finding: The downstate insurance market is predominantly for-profit, while the upstate market is almost entirely not-for-profit. The recent conversion of Empire Blue Cross Blue Shield to a for-profit model moves the downstate market further into the for-profit column, while the upstate region remains largely not-for-profit.

As of 2002, the upstate market was composed of 6 not-for-profit insurers, and the downstate region included 4 not-for-profit and 6 for-profit managed care plans. The upstate market also includes a large number of for-profit third party administrators that manage self-insured benefits for employers, but data for these entities are not included in this study. Total membership in the 16 surveyed plans was 5.5 million, with 56%

of the members enrolled in 10 downstate plans and 44% of the membership enrolled with 6 upstate insurers, as profiled in Table 1 below. The for-profit plans downstate enrolled 1.98 million members, or 64% of the region, and the recent conversion of Empire Blue Cross Blue Shield's 200,000 members will increase the for-profit population in the region to 70% in 2003.

**Table 1
New York State Insurance Market – Managed Care Plans
Summary of Upstate and Downstate Enrollment**

Region/Profit Status	# of Plans	Total Membership*		2002 % by Region
		2001	2002	
Downstate, Not For Profit	4	1,219,567	1,111,090	36%
Downstate, For Profit	6	2,353,933	1,980,853	64%
Upstate, Not For Profit	6	2,522,366	2,401,978	100%
				2002 % NYS
Total Downstate	10	3,573,500	3,091,942	56%
Total Upstate	6	2,522,366	2,401,978	44%
Total NYS	16	6,095,866	5,493,921	100%

Source: Apollo TM Managed Care

Table 1 provides the total annual average enrollment for the selected 16 managed care plans by region and profit status. Note that the number of plans is based on the 2002 membership period only. Additional information regarding health plan selection criteria for 2001 and 2002 is included in the Appendix to this report.

Managed care enrollment statewide decreased by 9.9%, or nearly 602,000 members, between 2001 and 2002. Downstate managed care enrollment dropped a total of 13.5% or 482,000 members, from 2001 to 2002; upstate managed

care membership decreased a total of 4.8%, or 120,000 members, over the two-year period. Downstate for-profit plans accounted for most of the enrollment shift in the region with a decrease of 373,000 managed care members. The

declining trend in managed care enrollment statewide may be related to consumer migration into non-managed insurance options, such as indemnity and preferred provider organization (PPO) programs.

C. Impact of Profit Status on Consumer Premiums

Finding: Not-for-profit insurers offer more cost effective premium options for consumers.

The upstate market had the lowest operating revenues (premiums) for the 2001-02 period, averaging \$184 pmpm in 2002, with an increase over 2001 results by 12.1% (see Table 2). For-profit plan revenues were 8.8% higher in 2002 than not-for-profit plans in the downstate market, with

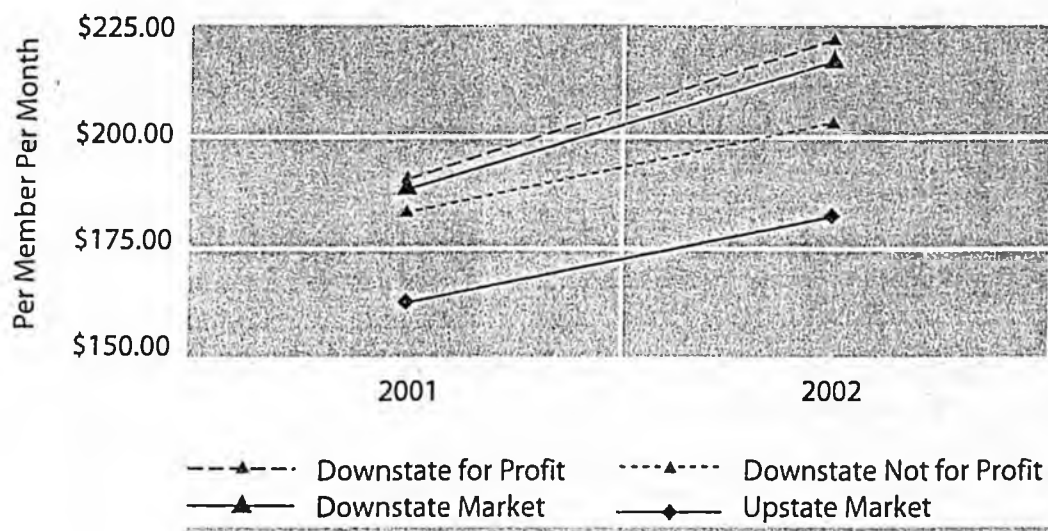
for-profit insurers averaging \$221 pmpm and not-for-profits averaging \$203 pmpm. Downstate market premiums for all carriers averaged \$215 pmpm in 2002, an increase of 12.9% over 2001 average premiums.

Downstate not-for-profit insurer premiums increased 10% in 2002, while the for-profits trended 14.2%. The for-profit insurers' enrollment majority and higher premium levels drove the results in the overall market, as seen in Table 2.

For-profit plan revenues were 8.8% higher in 2002 than not-for-profit plans in the downstate market...



Table 2
NYS Commercial Managed Care Products
Revenue Trends by Market, 2001-2002



Source: Apollo Managed Care TM

Table 2 provides a comparison of operating revenues in the various market regions. Operating revenue includes income primarily from premiums, but also includes changes in reserves, reinsurance, fee for service, and aggregate write-ins. Investment income is not included in the per-member-per-month (pmpm) benchmarks.

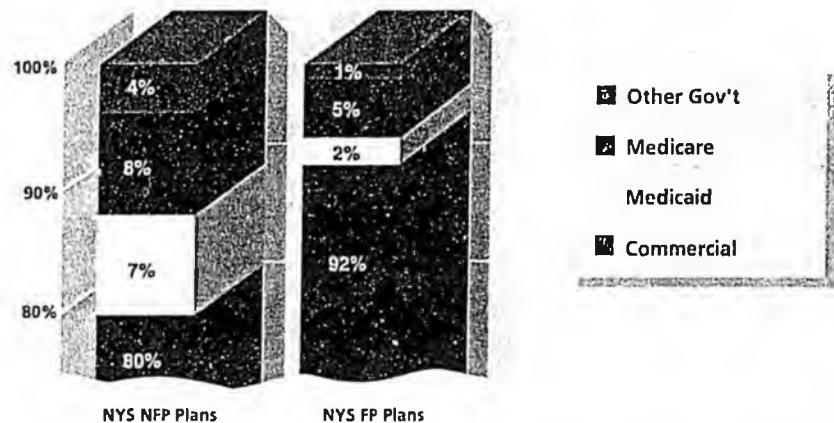
D. Profit Status and Commitment to Safety Net Programs

Finding: Not-for-profit HMOs, both upstate and downstate, participate in state-sponsored safety net programs to a far greater degree than downstate for-profit managed care organizations.

Table 3 profiles distributions of enrollment in safety net programs (i.e., Medicaid and other state-sponsored benefits) by profit status. The data reveal that for-profit status has a significant influence on plan behavior in this area, with not-for-profit insurers making much greater investments in safety net product lines. In 2002, contributions to safety net

programs represented 3% of enrollment in for-profit plans, compared with 12% of membership in not-for-profit organizations. In fact, of the 474,000 individuals enrolled in NYS safety net programs, 88% were members of not-for-profit health plans, compared with for-profit plans' enrollment of only 12% of the safety net population.

Table 3
Distribution of Enrollment by Product in NYS Markets, 2002



Source: Apollo Managed Care TM

The types of products summarized in Table 3 include commercial (HMO, point of service and direct pay), Medicare Plus Choice, Medicaid and other government programs (Child Health Plus, Family Health Plus and Healthy New York). Although the Healthy New York program is a mandated offering for all insurers, the program is higher risk than traditional programs and the profit status of the insurer may impact incentives to drive membership into it.

Finding: Not-for-profit plans have also demonstrated a higher level of dedication to the Medicare Plus Choice product line than for-profit insurers downstate.

As shown in Table 3, not-for-profit insurers enrolled 8% of their insured population in the Medicare Plus Choice line of business. The for-profit segment of the NYS market enrolled 5% of its members in the Medicare Plus Choice product line. During 2001 and 2002, Medicare Plus Choice was an income-generating product line for insurers statewide, despite

the high-risk nature of the senior population. Revenue gains in this product line were higher downstate than upstate due to more favorable federal payment rates. In 2002, not-for-profit plans supported 280,000 seniors, or 73% of the statewide total of 385,000 enrolled. Despite the favorable returns in the product, for-profit insurers enrolled only 27% of the statewide total, or 105,000 seniors.

Market observers have questioned the willingness of for-profit insurers to participate in programs that serve disadvantaged populations

such as children, the elderly, low-income persons and the uninsured. For-profit insurers need to satisfy the demands of equity holders, who have a legal claim on the income generated from operations. Not-for-profit insurers have no legal claimants on residuals and can use them to support community needs. In considering these factors and the NYS market data, it stands to reason that as a market becomes dominated by for-profit carriers, investments in safety net programs may decline substantially.⁴

⁴ Minnesota Department of Health (1996) "Non Profit and For Profit HMO's," 1996, Health Economics Program (HEP).

E. Market Financial Performance and Uses of Consumer Dollars

The willingness of not-for-profit insurers to contribute to safety net and Medicare programs is well understood in view of the enrollment data.

Finding: The not-for-profit upstate market has proved its viability while maintaining commitments to NYS safety net and Medicare programs.

Table 4 provides an overview of managed care enrollment and underwriting gains by product line for 2001-02 in the upstate and

downstate markets. The not-for-profit upstate market experienced a \$12 million loss in NYS safety net programs in 2002, but generated \$131 million in underwriting gains for all product lines combined. Furthermore, upstate underwriting gains in 2002 exceeded 2001 results by \$45 million.

Table 4
Regional Underwriting Income Results, 2001-02

NYS Region/Status	All Products		Commercial		Medicare Plus Choice		NYS Safety Net Programs	
	2001	2002	2001	2002	2001	2002	2001	2002
Downstate, Not For Profit								
\$Millions	\$101.9	\$220.1	\$70.8	\$115.4	\$40.3	\$105.3	-\$9.2	-\$0.7
% of All Products \$			69.5%	52.4%	39.5%	47.9%	-9.0%	-0.3%
Downstate, For Profit								
\$Millions	\$346.7	\$529.7	\$253.7	\$430.0	\$91.1	\$89.0	\$1.3	\$10.7
% of All Products \$			73.3%	81.2%	26.3%	16.8%	0.4%	2.0%
Downstate Market								
\$Millions	\$448.0	\$749.8	\$324.5	\$545.4	\$131.4	\$194.4	-\$7.9	\$10.0
% of All Products \$			72.4%	72.7%	29.3%	25.9%	-1.8%	1.3%
Upstate Market								
\$Millions	\$86.0	\$131.2	\$50.4	\$80.9	\$33.5	\$61.9	\$2.1	-\$11.6
% of All Products \$			58.6%	61.7%	38.9%	47.2%	2.5%	-8.8%

Source: Apollo Managed Care TM

In Table 4, underwriting income is defined as total operating revenue less medical and administrative expenses, and results provided do not include the impact of investment income or taxes. NYS Safety Net Programs include Medicaid, Child Health Plus, Family Health Plus and Healthy New York.

Finding: As markets become increasingly for-profit, the revenue focus is placed more on commercial product development and profitability and less on community programs. Net incomes (underwriting gains) generated in the for-profit downstate market are primarily focused in commercial products.

The data reveal that managed care plans in the downstate market reported favorable returns in 2002 for all product lines, with aggregate gains at \$750 million, a \$302 million improvement over 2001 results. In 2002, \$545 million, or 73% of the downstate underwriting gains, was generated in commercial lines of business,

compared with 62% of gains (\$31 million) generated in commercial lines upstate. The percentage of revenues generated by commercial lines in 2002 was similar to 2001 results for upstate and downstate markets.

Despite heavier investments in safety net and Medicare Plus Choice programs, the insurers in the upstate not-for-profit market spent less of their operating revenues on administrative expense items. ▲

While the upstate market overall became more viable in 2002, underwriting gains were tempered by investments made in NYS safety net products. The significant revenues generated downstate resulted from the majority of the plans in the region having a for-profit status with lower levels of participation in safety net and Medicare Plus Choice programs.

Finding: An insurance market's transition to an increasingly for-profit environment also impacts the distribution of healthcare dollars in the local marketplace.

Table 5 outlines the distributions of medical, administrative and underwriting gain dollars in New York's downstate and upstate insurance market sectors for 2002. Allocations of dollars in the revenue and expense items varied substantially between the two markets:

Table 5
Regional Allocation of NYS Managed Care Dollars, 2002

Category	Upstate Market	% of Revenue	Downstate Market	% of Revenue
Operating Revenue	\$5,790,801,148		\$9,213,104,404	
Medical Care	\$5,080,910,720	87.7%	\$7,405,600,330	80.4%
Administration	\$578,699,484	10.0%	\$1,057,680,307	11.5%
Total Expenses	\$5,659,610,204	97.7%	\$8,463,280,637	91.9%
Underwriting Gains	\$131,190,943	2.3%	\$749,823,767	8.1%

Source: Apollo Managed Care TM

- Compared with their downstate neighbors, insurers in upstate New York spent significantly more of the available consumer dollars on medical care. In downstate dollars, this shift in spending totals \$678 million.

The plans surveyed in the upstate market reported operating revenues totaling \$5.8 billion in 2002, 87.7% of which was allocated to medical care items. Downstate plans reported \$9.2 billion in operating revenues with a distribution of 80.4% to medical care expenses. If care spending patterns in the downstate market were similar to the upstate market, the 7.4% additional dollars allocated to medical care would total \$678 million for 2002.

- Compared with the downstate region, insurers in upstate New York spent 1.5% less of their operating revenues on administrative expenses, a difference of \$137 million in downstate dollars.

Despite heavier investments in safety net and Medicare Plus Choice programs, the insurers in the upstate not-for-profit market spent less of their operating revenues on administrative expense items. A total of 10% of operating revenues were allocated to administrative expenses upstate, compared with an 11.5% differential downstate.

The additional 1.5% of spending in administrative expenses downstate totals \$137 million.

- A lower level of investment in medical care in the downstate region translated into higher underwriting gains, which totaled 8.1% of operating revenues. Plans in the upstate region reported underwriting gains of only 2.3%.

Financial data reveal that the upstate not-for-profit region tends to invest more consumer dollars in medical care, at the expense of underwriting gains. The upstate gains in 2002 of \$131 million, however, are available for program expansions and reinvestment in the community. The downstate region, on a proportional basis, generated nearly four times the income gains of the upstate market in 2002. A 29% share of the downstate income gains, \$220 million of the \$750 million generated in the region, will be available for community reinvestment based on requirements for not-for-profit plans. The majority of the revenues downstate, \$530 million produced by for-profit insurers, are not required to be targeted to community needs as a priority.

Financial data reveal that the upstate not-for-profit region tends to invest more consumer dollars in medical care, at the expense of underwriting gains. ▲

The downstate region, on a proportional basis, generated nearly four times the income gains of the upstate market in 2002. ▲

Table 6
New York State Insurance Market – Non-HMO Product Lines
Summary of Upstate and Downstate Enrollment

Region/Profit Status	# of Plans	Total Membership*	2002 % by Region
		2002	
Downstate, Not For Profit	2	1,657,246	38%
Downstate, For Profit	3	2,756,694	62%
Upstate, Not For Profit	5	2,183,373	100%
			2002 % NYS
Total Downstate	5	4,413,940	67%
Total Upstate	5	2,183,373	33%
Total NYS	10	6,597,313	100%

Source: NYS Insurance Department - Health, Medical, Dental and Indemnity filings, 2002; National Association of Insurance Commissioners - Life, Accident and Health filings, 2002. Some of the plans provide dental coverage and 'out of network' benefits for managed point-of-service plans – therefore some enrollment may duplicate that presented in Table 1. Additional detail is available in the Appendix.

F. Survey of Other Lines of Business Offered by NYS Major Insurers

The significant findings in this study were derived from data provided to New York State regulators by commercial managed care plans in New York State, the most comprehensive source of health insurance enrollment and financial data available. In order to address the other 'non-HMO' lines of business offered by these same insurers in New York, such as indemnity, PPO and other types

of products, additional data were collected for New York State health plans from the New York State Insurance Dept (NYSID) and the National Assoc. of Insurance Commissioners (NAIC). Data for the non-managed product lines are summarized in Table 6. Enrollment and financial findings related to these plans are presented below. Note that the data provided in this section do not include self-insured lines of business.

A total of 10 health insurers provided 2002 enrollment and

financial data for New York State operations to the NYSID and NAIC. In 2002, the upstate market had 5 not-for-profit plans, and the downstate market had 2 not-for-profit and 3 for-profit plans, with 62% of the enrollment in the for-profit model. Total membership in the surveyed plans was 6.6 million, with 67% of the members enrolled in downstate plans and 33% enrolled upstate. Not-for-profit enrollment totaled 3.8 million statewide, while for-profit enrollment totaled 2.8 million.

The regional allocation of healthcare dollars for the non-managed plans is presented in Table 7. Allocations of dollars for revenue, expenses and underwriting results varied between the upstate and downstate markets.

Finding: Similar to findings in the managed care data, the non-HMO product lines data show that not-for-profit plans spend a higher percentage of dollars on health care and a lower percentage of dollars on administrative expenses.

Non-managed lines of business in both markets reported favorable returns in both markets in 2002, with upstate insurers gaining \$139 million and the downstate insurers reporting \$62 million. Similar to managed care market results, the upstate market spent a higher percentage of operating revenues on medical care, a variance of 2%

compared with the downstate market. Also consistent with managed care findings, administrative spending in the downstate market exceeded the upstate market proportionately by 3.2%.

Unlike the managed care findings in Table 5, the underwriting gains on a percentage basis were 1.2% higher in the upstate not-for-profit market as compared with downstate, which enrolls a higher percentage of lives in the for-profit model.

The findings based on non-HMO product lines should be viewed with caution, as the dollar amounts shown in Table 7 reflect a number of diverse products such as indemnity plans, PPO plans, out-of-network components of managed point-of-service plans, Medicare supplemental plans and dental plans.

Similar to managed care market results, the upstate market spent a higher percentage of operating revenues on medical care, a variance of 2%. ▲

**Table 7
Regional Allocation of NYS Non-Managed Care Dollars, 2002**

Category	Upstate Market	% of Revenue	Downstate Market	% of Revenue
Operating Revenue	\$4,800,143,115		\$3,622,252,776	
Medical Care	\$4,226,335,127	88.0%	\$3,115,771,472	86.0%
Administration	\$434,694,626	9.1%	\$444,825,614	12.3%
Total Expenses	\$4,661,029,753	97.1%	\$3,560,597,086	98.3%
Underwriting Gains	\$139,113,362	2.9%	\$61,655,690	1.7%

Source: NYS Insurance Department - Health, Medical, Dental and Indemnity filings, 2002; National Association of Insurance Commissioners - Life, Accident and Health filings, 2002. Additional detail is available in the Appendix.

G. Conclusion

As conversions by hospitals and health plans have accelerated around the country, public discourse about their impact on access to care and other community benefits has intensified. The conversion of Empire Blue Cross Blue Shield heightened the public debate in New York State about access to care, the uninsured, and the preservation and use of the "charitable asset."

The Empire conversion and the transition of the downstate health insurance market to predominantly for-profit status, have made the need to maintain growth the primary objective of the for-profit entities. "Once you become a for-profit entity and take on public equity capital, especially in a high-growth industry, you cannot decide to reject the 'grow or go' imperative because your investors fully expect earnings growth of 15 percent or better, year after year."⁵ This report demonstrates that for-profit health plans *do act differently* than not-for-profit plans in terms of performance, efficiency and contribution to safety net programs. Moreover, it suggests that not-for-profit health insurers operating in a predominantly for-profit market act in many ways like for-profits.

In a report published by the Milbank Memorial Fund entitled, "Nonprofit and For-Profit HMOs: Converging Practices but Different Goals?" it was noted that as competition and for-profit

ownership increases in a marketplace, "the weight accorded to business interests, professional principles, and social concerns changes."⁶

"Many of the attributes that once made nonprofit prepaid integrated plans distinctive are disappearing as competition compels non-profits to be less attentive to the public good. While granting that the form of ownership does not determine quality, it is nevertheless apparent that the growth of for-profit ownership is driven by market forces with little or nothing to do with social mission, a traditional element of health care delivery. Ever more centralized in larger corporations and ever more profit motivated, the health-care system is embroiled in a frenzy of deal-making that is changing the weight accorded to business interests, professional principles, and social concerns. What will happen to health care in communities as providers and health plans continue striving to maximize their economic advantages, and as regulators respond to the competing pleas of health care producers, purchasers, and consumers?"⁷

This report shows that:

- An insurance market's transition to an increasingly for-profit environment impacts how healthcare dollars are spent in the local marketplace;

- As markets become increasingly for-profit, the revenue focus is placed more on commercial product development and profitability and less on NYS safety net and Medicare programs;

- Not-for-profit plans have demonstrated a higher level of dedication to the Medicare Risk product line than for-profit insurers downstate.

The emergence in New York of healthcare insurance markets that are predominantly for-profit raises significant public policy issues, especially with reference to community benefits and services. As this report outlines, the downstate health insurance market is quite different from the upstate insurance market, and insurers in the two markets act differently. Should the upstate health insurance environment change with the entrance of for-profit plans, or conversion of existing plans to for-profit status, the upstate market is likely to look very similar to the downstate in that:

- There will be diminished access to care for the at-risk population;
- Premium costs will be higher;
- Administrative costs will be higher.

The healthcare insurance market upstate would become less attentive to the provision of public goods as insurers strive to maximize their economic advantages.

⁵ Jack Needelman, "Nonprofit to For-Profit Conversions by Hospitals and Health Plans: A Review," Pioneer Institute for Public Policy Research.

⁶ Harry Nelson, "Nonprofit and For-Profit HMOs: Converging Practices but Different Goals?" Milbank Memorial Fund, 1997.

⁷ Ibid.

Appendix

Data Resources and Disclaimers

For the purposes of this study, Treo Solutions relied on the following data sources:

- Treo Solutions' proprietary Apollo Managed Care TM database of financial and enrollment data derived from the New York State HMO Data Requirements annual reports.
- Life, Accident and Health (LAH) regulatory filings for New York health plans.
- Health, Medical, Dental and Indemnity (HMDI) regulatory filings for New York health plans.

The HMO Data Requirements reports are the most comprehensive source of public data available on health insurance organizations in New York State, and include data for Article 44 licensed insurers only. The Data Requirements reports do not include data for non-managed insurance programs such as indemnity, preferred provider organizations and self-insurance. Regulatory reporting data for fully insured non-HMO programs are more limited in scope and were accessed from LAH filings (National Association of Insurance Commissioners) and Article 43 HMDI filings (NYS Insurance Department) as available for plans reporting at least a portion of their enrollment in

indemnity, point-of-service or PPO product lines. The data periods included in the analysis were calendar years 2001 and 2002.

All data were gathered from 'current year' statistics provided in each health plan's statement.

This report contains information compiled from sources that Treo Solutions does not control and this information, unless otherwise indicated in this report, has not been verified. In furnishing this report, Treo Solutions in no way assumes any part of The Alliance For Advancing Non-Profit Health Care's business risk, does not guarantee the accuracy, completeness or timeliness of the information provided and shall not be liable for any loss or injury resulting from contingencies beyond its control or from negligence.

Approach

Treo Solutions compiled data from 28 insurance organizations for the analysis and classified them according to geographic location and profit status. Exhibit A-1, NYS Insurance Organizations - Geography and Profit Status, lists the organizations selected for review.

Downstate plans are defined as having the majority of membership located in Rockland and Westchester counties and south to the New York City boroughs. Upstate plan enrollments include all areas north of Westchester and Rockland counties. Geographic

locations were determined from the health plans' reported memberships for 2002.

Although Empire Blue Cross Blue Shield converted to a for-profit plan in 2002, the plan was a not-for-profit entity until September of 2002, and is classified as such for the purposes of this report. Empire reported data under two different plan numbers during 2001 and 2002, and is counted as two different entities. Empire Healthchoice HMO, Inc. was formed in 2002 in advance of the for-profit conversion, which took place shortly after the end of the third quarter 2002 data period.

To assure comparability and credibility of the financial and enrollment indicators in the study, only plans with enrollment exceeding 10,000 covered lives and a majority of membership in commercial product lines were selected. For this reason, several organizations were excluded from the analysis due to size criteria or a high concentration of enrollment in public programs such as Medicare and Medicaid. The excluded plans are as follows:

- AmeriChoice of NY, Inc.
- Elderplan, Inc.
- Horizon Healthcare of New York, Inc.
- MagnaHealth of New York
- MDNY Healthcare, Inc.
- MetroPlus Health Plan
- United Healthcare of Upstate NY, Inc.
- Wellcare of New York, Inc.

**Exhibit A-1
NYS Insurance Organizations - Geography and Profit Status**

NYS Managed Care Plans	Location¹ (Upstate or Downstate)	Profit Status (For-Profit or Not-For-Profit)
Aetna Health, Inc. (A New York Corporation)	D	FP
Atlantis Health Plan ¹	D	FP
Capital District Physicians Health Plan, Inc.	U	NFP
Cigna HealthCare of New York, Inc.	D	FP
Community Blue, The HMO of HealthNow, Inc.	U	NFP
Empire Healthchoice HMO, Inc. ²	D	NFP
Empire Healthchoice Inc. (DBA BCBS)	D	NFP
Excellus Health Plan, Inc.	U	NFP
GHI HMO	D	NFP
Health Insurance Plan of Greater New York	D	NFP
Independent Health Managed Health, Inc. ²	U	NFP
MVP Health Plan, Inc.	D	NFP
Oxford Health Plans (NY), Inc.	U	NFP
HealthNet of New York, Inc.	D	FP
Rochester Area HMO Inc., DBA Preferred Care	U	NFP
United Healthcare Plan of New York, Inc.	D	FP
Vytra Health Plans, Inc.	D	NFP
Health Medical and Indemnity Plans		
CDPHP Universal Benefits	U	NFP
Excellus Health Plan, Inc.	U	NFP
Group Health Incorporated	D	NFP
HealthNow New York, Inc.	U	NFP
Independent Health Benefits Corp.	U	NFP
Preferred Assurance Company, Inc.	U	NFP
Vytra Health Services, Inc.	D	NFP
Life, Accident and Health Plans		
Aetna Health Insurance Company	D	FP
Oxford Health Insurance Company	D	FP
United HealthCare Insurance Company	D	FP

Sources: NYS HMO Data Requirements, 2001-02; NYS Insurance Department Health - Medical and Indemnity Plan filings, 2002; National Association of Insurance Commissioners - Life, Accident and Health Plan Filings, 2002.

¹ Data Used for 2002 only

² Plan excluded in 2002 due to high percentage of government product enrollment

Additional summary data compiled by market for 2001 and 2002 are provided in Exhibits A-2 through A-7. The data include enrollment,

revenue and expense profiles and loss ratio summaries for plans selected for the study.

Exhibit A-2
2001-02 Enrollment by Region and Profit Status
NYS Managed Care Plans

2001 Results Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs					Total Safety Net/Medicare	% of All Products
			CHP	FHP	HNY	Medicaid	Medicare		
Downstate, Not For Profit	1,219,567	898,636	108,316	0	601	58,266	153,741	320,924	26.3%
Downstate, For Profit	2,353,933	2,199,364	9,212	1	84	2,537	142,738	154,572	6.6%
Total Downstate	3,573,500	3,098,000	117,528	1	685	60,803	296,479	475,496	13.3%
Total Upstate	2,522,366	2,163,487	70,093	168	916	127,472	160,228	358,877	14.2%
Total New York State	6,095,866	5,261,487	187,621	169	1,601	188,275	456,707	834,373	13.7%

2002 Results Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs					Total Safety Net/Medicare	% of All Products
			CHP	FHP	HNY	Medicaid	Medicare		
Downstate, Not For Profit	1,111,090	820,609	62,082	6,985	3,341	109,977	108,095	290,480	26.1%
Downstate, For Profit	1,980,853	1,818,913	18,920	5,487	1,140	30,939	105,452	161,939	8.2%
Total Downstate	3,091,942	2,639,522	81,003	12,472	4,480	140,917	213,548	452,419	14.6%
Total Upstate	2,401,978	1,994,598	65,806	14,164	5,228	150,370	171,813	407,381	17.0%
Total New York State	5,493,921	4,634,120	146,808	26,636	9,708	291,286	385,361	859,800	15.7%

Source: Apollo Managed Care TM

Enrollment results reflect average membership for each calendar year reported by plans selected for this analysis. NYS safety net programs include Child Health Plus (CHP), Family Health Plus (FHP), Healthy New York (HNY) and Medicaid. Medicare data reflect managed Medicare Plus Choice programs.

**Exhibit A-3
2001 Operating Results Per Member Per Month (PMPM)
By Region and Profit Status
NYS Managed Care Plans**

2001 Operating Revenue Results PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$240.50	\$184.39	\$120.38	-	\$177.38	\$180.05	\$676.33
Downstate, For Profit	\$222.52	\$193.47	\$104.64	\$144.09	\$226.83	\$144.04	\$679.25
Total Downstate	\$228.66	\$190.84	\$119.14	\$144.09	\$183.45	\$178.55	\$677.74
Total Upstate	\$176.91	\$163.97	\$102.50	\$272.51	\$139.89	\$139.61	\$414.04
Total New York State	\$207.25	\$179.79	\$112.92	\$271.75	\$158.52	\$152.19	\$585.22

2001 Administrative Costs PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$29.73	\$24.66	\$27.42	-	\$19.70	\$32.92	\$60.38
Downstate, For Profit	\$25.50	\$24.32	\$19.18	\$19.27	\$24.68	\$19.18	\$44.33
Total Downstate	\$26.94	\$24.42	\$26.77	\$19.27	\$20.31	\$32.34	\$52.65
Total Upstate	\$17.07	\$15.59	\$16.90	\$21.39	\$17.16	\$15.27	\$36.03
Total New York State	\$22.85	\$20.79	\$23.08	\$21.37	\$18.51	\$20.78	\$46.82

2001 Medical Expenses PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$203.88	\$153.15	\$93.97	-	\$173.42	\$158.29	\$594.10
Downstate, For Profit	\$184.72	\$159.54	\$69.45	\$92.00	\$191.46	\$139.48	\$581.76
Total Downstate	\$191.26	\$157.69	\$92.05	\$92.00	\$175.63	\$157.50	\$588.16
Total Upstate	\$156.71	\$146.44	\$89.95	\$298.59	\$121.71	\$120.51	\$360.60
Total New York State	\$176.96	\$153.06	\$91.26	\$297.36	\$144.77	\$132.45	\$508.33

2001 Underwriting Gain PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$6.89	\$6.57	-\$1.01	-	-\$15.74	-\$11.15	\$21.85
Downstate, For Profit	\$12.31	\$9.61	\$16.01	\$32.82	\$10.69	-\$14.62	\$53.16
Total Downstate	\$10.46	\$8.73	\$0.32	\$32.82	-\$12.50	-\$11.29	\$36.92
Total Upstate	\$3.14	\$1.94	-\$4.35	-\$47.46	\$1.01	\$3.84	\$17.40
Total New York State	\$7.43	\$5.94	-\$1.42	-\$46.98	-\$4.77	-\$1.05	\$30.07

Source: Apollo Managed Care TM

Exhibit A-4
2002 Operating Results Per Member Per Month (PMPM)
By Region and Profit Status
NYS Managed Care Plans

2002 Operating Revenue Results PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$252.30	\$203.10	\$132.57	\$332.51	\$171.15	\$186.05	\$759.28
Downstate, For Profit	\$246.07	\$220.90	\$107.36	\$317.65	\$203.28	\$147.70	\$730.78
Total Downstate	\$248.31	\$215.37	\$126.69	\$325.97	\$179.33	\$177.63	\$745.20
Total Upstate	\$200.90	\$183.76	\$108.88	\$272.86	\$142.73	\$147.20	\$477.97
Total New York State	\$227.58	\$201.76	\$118.70	\$297.73	\$159.62	\$161.92	\$626.06

2002 Administrative Costs PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$31.66	\$27.33	\$29.80	\$68.33	\$21.34	\$28.48	\$66.79
Downstate, For Profit	\$26.74	\$25.68	\$13.07	\$39.76	\$25.38	\$18.39	\$49.11
Total Downstate	\$28.50	\$26.19	\$25.88	\$55.76	\$22.36	\$26.26	\$58.06
Total Upstate	\$20.08	\$18.37	\$16.41	\$24.30	\$17.56	\$16.59	\$44.11
Total New York State	\$24.82	\$22.82	\$21.63	\$39.03	\$19.78	\$21.27	\$51.84

2002 Medical Expenses PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$204.15	\$164.06	\$101.60	\$231.52	\$172.10	\$160.16	\$611.28
Downstate, For Profit	\$197.04	\$175.51	\$83.07	\$245.94	\$143.74	\$114.22	\$611.32
Total Downstate	\$199.59	\$171.95	\$97.27	\$237.86	\$164.89	\$150.08	\$611.30
Total Upstate	\$176.28	\$162.01	\$103.97	\$257.65	\$132.53	\$130.89	\$403.83
Total New York State	\$189.40	\$167.68	\$100.27	\$248.38	\$147.46	\$140.17	\$518.80

2002 Underwriting Gain PMPM by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	\$16.50	\$11.72	\$1.18	\$32.66	-\$22.29	-\$2.59	\$81.21
Downstate, For Profit	\$22.29	\$19.70	\$11.28	\$31.95	\$34.16	\$15.09	\$70.35
Total Downstate	\$20.21	\$17.22	\$3.54	\$32.35	-\$7.93	\$1.29	\$75.85
Total Upstate	\$4.55	\$3.38	-\$11.49	-\$9.09	-\$7.36	-\$0.29	\$30.03
Total New York State	\$13.36	\$11.27	-\$3.20	\$10.31	-\$7.62	\$0.48	\$55.42

Source: Apollo Managed Care TM

**Exhibit A-5
2001 Administrative, Medical and Underwriting Ratios
By Region and Profit Status
NYS Managed Care Plans**

2001 Administrative Loss Ratio by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	12.4%	13.4%	22.8%	-	11.1%	18.3%	8.9%
Downstate, For Profit	11.6%	12.7%	18.3%	13.4%	10.9%	13.3%	6.5%
Total Downstate	11.9%	12.9%	22.4%	13.4%	11.1%	18.1%	7.8%
Total Upstate	9.6%	9.5%	16.5%	7.8%	12.3%	10.9%	8.7%
Total New York State	11.0%	11.6%	20.4%	7.9%	11.7%	13.7%	8.0%

2001 Medical Loss Ratio by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	84.8%	83.1%	78.1%	-	97.8%	87.9%	87.8%
Downstate, For Profit	83.0%	82.5%	66.4%	63.8%	84.4%	96.8%	85.6%
Total Downstate	83.6%	82.6%	77.3%	63.8%	95.7%	88.2%	86.8%
Total Upstate	88.6%	89.3%	87.8%	109.6%	87.0%	86.3%	87.1%
Total New York State	85.4%	85.1%	80.8%	109.4%	91.3%	87.0%	86.9%

2001 Underwriting Gain as % Revenue by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	2.9%	3.6%	-0.8%	-	-8.9%	-6.2%	3.2%
Downstate, For Profit	5.5%	5.0%	15.3%	22.8%	4.7%	-10.1%	7.8%
Total Downstate	4.6%	4.6%	0.3%	22.8%	-6.8%	-6.3%	5.4%
Total Upstate	1.8%	1.2%	-4.2%	-17.4%	0.7%	2.3%	4.2%
Total New York State	3.6%	3.3%	-1.3%	-17.3%	-3.0%	-0.7%	5.1%

Source: Apollo Managed Care TM

Exhibit A-6

2002 Administrative, Medical and Underwriting Ratios

By Region and Profit Status

NYS Managed Care Plans

2002 Administrative Loss Ratio by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	12.6%	13.5%	22.5%	20.5%	10.5%	8.1%	14.9%
Downstate, For Profit	10.9%	11.8%	12.1%	12.5%	14.0%	12.5%	6.6%
Total Downstate	11.5%	12.3%	20.1%	17.0%	11.4%	9.1%	10.8%
Total Upstate	10.0%	10.0%	15.2%	8.8%	12.4%	8.5%	10.0%
Total New York State	10.9%	11.3%	17.9%	12.7%	11.9%	8.8%	10.5%

2002 Medical Loss Ratio by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	80.9%	80.9%	76.6%	69.6%	100.8%	86.1%	80.6%
Downstate, For Profit	80.1%	79.4%	77.4%	77.4%	69.0%	77.3%	83.5%
Total Downstate	80.4%	79.9%	76.8%	73.1%	92.7%	84.2%	82.0%
Total Upstate	87.7%	88.2%	95.6%	93.2%	93.1%	89.1%	84.5%
Total New York State	83.6%	83.4%	85.2%	83.8%	92.9%	86.7%	83.1%

2002 Underwriting Gain as % Revenue by Region/Status	All Products	Commercial	NYS Safety Net/Medicare Programs				
			CHP	FHP	HNY	Medicaid	Medicare
Downstate, Not For Profit	6.5%	5.6%	0.9%	9.8%	-11.3%	5.8%	4.5%
Downstate, For Profit	9.1%	8.8%	10.5%	10.1%	17.1%	10.2%	9.8%
Total Downstate	8.1%	7.8%	3.1%	9.9%	-4.1%	6.8%	7.1%
Total Upstate	2.3%	1.8%	-10.8%	-2.0%	-5.4%	2.4%	5.5%
Total New York State	5.9%	5.2%	-3.1%	3.6%	-4.8%	4.5%	6.4%

Source: Apollo Managed Care TM

**Exhibit A-7
2002 Administrative, Medical and Underwriting Results
By Region and Profit Status
NYS Managed Care Plans**

2002 Results	Enrollment	Operating Revenue	Medical Expenses	Administrative Expenses	Underwriting Gain	Medical Loss	Administrative Loss
Downstate, Not For Profit	1,657,246	\$106.66	\$95.61	\$11.17	-\$0.13	89.6%	10.5%
Downstate, For Profit	2,756,694	\$45.38	\$36.71	\$6.73	\$1.94	80.9%	14.8%
Total Downstate	4,413,940	\$68.39	\$58.82	\$8.40	\$1.16	86.0%	12.3%
Total Upstate	2,183,373	\$183.21	\$161.31	\$16.59	\$5.31	88.0%	9.1%
Total New York State	6,597,312	\$106.39	\$92.74	\$11.11	\$2.54	87.2%	10.4%

Source: Apollo Managed Care TM

Learn more about the Alliance.

Visit us at: www.nonprofithealthcare.org

Or by email at: info@nonprofithealthcare.org

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State may get slice of Premera pie**\$150 MILLION: Move from a nonprofit to a for-profit could mean windfall for Alaska, according to reports.**

By ANN POTEMPA

Anchorage Daily News

(Published: April 14, 2004)

New state reports say charities in Alaska should receive about a quarter of Premera Blue Cross's initial stock offering if the health care giant is allowed to convert from a nonprofit to a for-profit company.

That means Alaska could receive \$150 million or more to pay for health care projects, based on consultants' estimates of Premera's worth. Washington would get the rest, according to reports made public by the Alaska Division of Insurance.

Premera proposed the conversion in 2002 in Washington and Alaska, where it provides health insurance to more than a million people. The company's executives say the change will allow it to raise capital through stock sales and to promote growth and improve technology and services for consumers. Insurance directors in both states must approve or deny the conversion this summer.

When a nonprofit corporation converts to a for-profit, law requires that its charitable assets go to another nonprofit, such as a foundation, said Scott Benbow, staff attorney with the Consumers Union, a consumer protection agency advising community groups in Alaska and Washington.

If its conversion is approved, Premera has proposed creating two foundations to pay for health care initiatives, one in Alaska and another in Washington.

Both states hired consultants to study the conversion and present findings to Mike Kreidler, the insurance director in Washington, and Linda Hall, the director in Alaska. Washington's experts have estimated Premera's value at between \$500 million and \$700 million. That value will be transferred to the foundations' organizations in Alaska and Washington if the conversion is approved.

The foundations would sell the stock and give the proceeds to health-care charities. It is not yet known which charities may benefit.

Consultants for Alaska and Washington have disagreed about how to fairly allocate the Premera stock. Signal Hill Capital, investment bank analysts studying the conversion for Alaska, recommended that Alaska's foundation receive 25.8 percent to 29.6 percent of Premera's stock. Reden & Anders, actuarial advisers, recommended that Alaska receive 24 percent to 28 percent.

The Blackstone Group, however, wrote a report for Washington that recommends giving Alaska only 11 percent to 17 percent of the conversion proceeds. The difference could mean more than \$60 million for Alaska, based on midrange estimates.

"There's obviously a considerable divide on what both experts are saying," said attorney Amy McCullough, with Alaska Legal Services.

Scott Schoengarth, spokesman for Washington's insurance division, said the insurance directors in

"PR"

Washington and Alaska, as well as Washington's attorney general will decide the stock allocation if the conversion is approved.

The allocations for Alaska's charitable foundation is the primary concern for a group of Alaska individuals and groups involved in the case. During Washington's hearing, attorney McCullough will speak on behalf of Alaska's intervenors: the Anchorage Neighborhood Health Center, the United Way of Anchorage, the University of Alaska and a disabled man named John Garner.

Those groups petitioned to take part in the Premera hearings.

McCullough said the group of Alaskans want the state to get its fair share of money for the foundation. They also want a voice in how the foundation will be set up and run.

When making its recommendation for stock allocation, Reden & Anders said it looked at Alaska's and Washington's past and future profitable contributions to Premera. An initial report filed by Signal Hill shows that Washington contributed 85 percent of Premera's accumulated capital in 1997, and 15 percent came from Alaska. The Blackstone Group said Alaska's operations contributed 13.2 percent of revenue in 2003.

Alaska's consultants have also warned that Premera might raise its medical insurance premiums and that the number of uninsured Alaskans would increase. Scott Forslund, Premera spokesman, said the company has stated repeatedly that the conversion will not affect premiums, but Alaska consultants said the company's guarantee on rates only covers two years after conversion.

"What happens the very day after that assurance period ends?" McCullough asked.

Alaska and Washington have scheduled hearings to discuss the proposed conversion. Washington's is scheduled to start May 3. Alaska's will begin June 7 in Anchorage.

Kreidler, Washington's insurance commissioner, will issue a decision by July 19. Hall, Alaska's commissioner, will decide by July 25.

Gloria Glover, chief financial examiner with Alaska's insurance division, said the public will be invited to talk during the June hearing, but there will not be additional forums for public comment.

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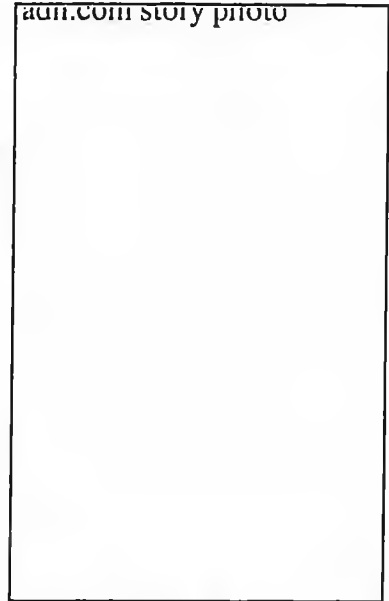
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Premera move must be done right

By NELSON PAGE

(Published: April 26, 2004)

Premera Blue Cross is a major provider of private medical insurance in the state of Alaska. As a typical nonprofit Blue Cross organization, it has no shares of stock and operates for one purpose only: to provide high-quality medical insurance at the lowest possible cost. It exists to serve its customers. Almost two years ago Premera gave notice to the Alaska Division of Insurance that it intended to convert to a new form. It wants to become a for-profit corporation that will issue shares of stock.



()

Click on photo to enlarge

The director of the Division of Insurance will make a determination whether the change is in the public interest after hearings currently scheduled to take place in June. However, there is one thing upon which virtually everyone involved in the conversion agrees: If the conversion takes place, some provision must be made to account for the benefits Premera has received as a nonprofit corporation over the decades. As has been done in other states, Premera proposes to assign the proceeds of the initial sale of its new stock to a new charitable foundation. The foundation would address the availability of affordable health care, unmet health needs and education and availability of health care providers in the state. The creation of such a foundation is one way in which the negative impacts of the conversion can be offset in part by something positive.

There are some critical issues that need to be addressed if any foundation is to be successful. First and most important is that the foundation must be independent. The foundation that Premera now proposes would have significant limitations on its ability to act. For example, the proposal as it now stands would place restrictions on the ability of the foundation to advocate regarding the availability of affordable health insurance. It would leave the foundation critically dependent on the approval of Premera and state officials, who can be expected to have their own political and policy agendas. Any health foundation set up with the proceeds of the conversion should be truly free to do what it perceives to be most important for Alaskans, without interference from Premera or other outside interests.

Second, the plan of conversion must ensure that the initial contribution to the foundation is fair. The present proposal contains significant limitations on the ability of the foundation to receive contributions from other sources, or to sell the assets it will receive from the conversion in a manner that will obtain the highest market value. These restrictions may result in a dilution of the funds that the foundation is supposed to receive.

Finally, and most fundamentally, there must be assurances that all of the funds from the conversion will in fact go to the foundation. The history of conversions in other states is not pretty. There have been a number of attempts on the part of special interests to hijack conversion funds to other

shortsighted purposes. For example, in New York, the governor, running for re-election, used the money from the conversion to fund pay hikes for state health care workers. In Alaska, we have the lesson of the tobacco settlement funds, which could have provided years of ongoing support for health care programs, but which were instead converted to a lump sum payment that was then spent to pay for other priorities of state government. It would be a shame if this one-time opportunity to create a wonderful and permanent new voice for Alaskans were thrown away to meet short-term expediencies.

Few issues are going to be more important to the quality of life than the issue of health care availability and quality over the next few decades. An independent Alaska health foundation can make exciting and innovative contributions to addressing these concerns. Keep your eye on this issue: it is important that this conversion, if it is done at all, be done right.

Nelson Page is an attorney practicing in Anchorage and a trustee of the Alaska Mental Health Trust Authority.

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SB

13

SENATE COMMITTEE REPORT First Committee of Referral

ATE: 1/21/03

FURTHER: Judiciary

Date of 5-Day Notice: _____
in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

labor and Commerce Committee considered SENATE BILL NO. 13

SB 13 INSURANCE DISCRIMINATION BY CREDIT RATING

An Act prohibiting discrimination in insurance rates based on credit rating or credit scoring; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

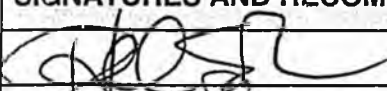
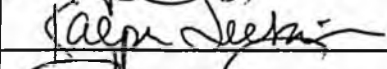

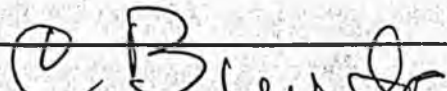
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
	X			
	X			
			X	
CHAIR: 				✓

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 13
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Insurance Discrimination by BRU Insurance (116)
Credit Rating Component Insurance Operations
 Sponsor Senators Cowdery & Elton
 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 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation prohibits insurers from using credit information to rate insurance policies. To the extent that insurers currently use credit information in their ratings plans, they will need to submit new filings to discontinue this practice. The division anticipates costs for reviewing any rate filings will be part of on-going operations.

Prepared by: Linda S. Hall, Director Phone 907.269.7900
 Division: Division of Insurance Date/Time 4/8/03 8:25 AM
 Approved by: Edgar Blatchford, Commissioner Date 4/8/2003
 Agency: Department of Community & Economic Development

Alaska State Legislature

Senator John Cowdery
Chair, Rules & Transportation



Senator Kim Elton
Minority Whip

SB 13 – Prohibiting Credit Scoring in Insurance Sponsor Statement

SB 13 prohibits insurance companies in Alaska from using credit scores in underwriting or rate setting for car or home insurance. Credit scores are derived by running credit histories through a secret formula that is not available to insurance regulators or consumers. Alaska home and auto insurers commonly base decisions on whether to offer a policy on credit scores. If insurance is offered, premiums are then based on the secret score and not on driving record or claim history. The worse the credit score, the higher the premium.

State insurance regulators and other organizations have scrutinized the use of credit scores since the insurance industry adopted the methodology in the 1980s. Research in other jurisdictions clearly demonstrates credit scoring is discriminatory, and an investigation by the Alaska Division of Insurance concluded, "unequal effects exist on consumers with varying income and ethnic characteristics. In the aggregate, consumers that reside in higher income/high percentage Caucasian zip codes may be less impacted by the use of the consumer's credit history." In keeping with its statutory mandate (AS.21.36.120) to protect the Alaska consumer against unfair discrimination, the division recommended curbing the practice to protect the public.

Some Alaskans have poor credit for reasons beyond their control—those who went through a divorce; seasonal workers; those who had serious medical emergencies; or those with unforeseen problems in their businesses or careers. There are many Alaskans without credit histories at all: rural Alaskans in a cash economy; members of religious groups that forbid the use of credit (neither a borrower nor a lender be); and many older Alaskans who distrust credit and instead pay cash. Is it fair to deny insurance to a 30-year-old woman with a clean driving record simply because a divorce changed her credit status? Is it fair to raise the premiums of a 67-year-old man with a clean driving record whose medical bills affected his credit history?

For that matter, credit scores reflect much more than your debt and payment history. Just having credit checked too often can result in a worse credit score. Losing health insurance, seeking credit counseling, paying debt early, using a debit card, or having a

Nordstrom's card all are known to hurt a person's credit score, and therefore increase the cost of insurance.

Lack of information is another fundamental problem with credit scoring. Neither consumers nor state regulators have access to scores or how information is manipulated to create those scores. The insurance industry is unwilling or unable to articulate how or why, thus we cannot know with certainty whether discriminatory factors are used in determining the scores. There is simply no explanation for how the 'black box' can be effective in light of a recent study showing tremendous inaccuracies in the credit reports used to calculate scores.

Hawaii has completely banned the use of credit scoring in both rate setting and underwriting. Maryland and Washington have sharply restricted it. The Hawaii law was implemented in 1987, and Hawaiians enjoy lower premiums than Alaskans.

Subject: PIA National Newslines - Monday March 10, 2003

Date: Mon, 10 Mar 2003 18:36:42 -0500

From: Ted Besesparis <tedbe@pianet.org>

> <<...OLE_Obj...>> PIA National Newslines Monday March 10, 2003

> National Association of Professional Insurance Agents

>

> In This Issue:

> 1. NAIC President Mike Pickens to Address PIA

> 2. ASSURE Initiative to be Addressed By NAIC President at PIA Meetings

> 3. NAIC Spring Meeting Underway in Atlanta - Latest Updates

> 4. NAIC Producer Licensing Enhancements Recommended by Industry

> 5. Bush Administration Presents Proposal for Association Health Plans

> 6. Some Homeowners Increasingly Reluctant to File Claims

> 7. Federal Legislative Summit, PIAPAC Dinner Just Over Three Weeks Away

> 8. PIA of Connecticut to Honor Industry Pioneer

>

> 1. NAIC President Mike Pickens to Address PIA: Mike Pickens, President of

> the National Association of Insurance Commissioners, will address PIA

> members on Saturday, April 5, 2003 during the PIA National meetings in

> Arlington, Virginia. Pickens will speak on industry issues during the PIA

> National Awards Luncheon. He will also participate in meetings of PIA

> National policy committees.

>

> 2. ASSURE Initiative to be Addressed By NAIC President at PIA Meetings:

> During his remarks to PIA, NAIC President Mike Pickens is expected to

> elaborate on his initiative, ASSURE, the Alliance for Sound State Uniform

> Regulatory Efficiency. ASSURE is a non-profit coalition made up of

> regulators, consumers, legislators, industry and business leaders who

> believe that state governments are best equipped to regulate the insurance

> industry.

>

> ASSURE's mission is "to improve and defend state insurance regulation by

> supporting greater efficiency and uniformity in regulatory practices while

> proactively and aggressively maintaining vital consumer protections and

> education initiatives, as well as promoting streamlined national standards

> that recognize a unique and evolving state-based marketplace."

>

> What It Means to Agents: A participant in ASSURE from the outset, PIA

> National sees this effort as supporting the outcomes that PIA members need

> now and in the future in improving functional insurance oversight. In

> addition, PIA affiliates are being asked by their DOIs to sign on to

> ASSURE as well.

>

> 3. NAIC Spring Meeting Underway in Atlanta - Latest Updates: The National

> Association of Insurance Commissioners (NAIC) is holding its spring

> meetings in Atlanta. The meetings began Saturday March 8 and wrap up

> tomorrow, March 11. PIA National is attending. Below is a preliminary

> update on activities at the NAIC meetings so far:

>

> The Producer Licensing Working Group has recommended that Pennsylvania be

> certified as a reciprocal jurisdiction under the Gramm-Leach-Bliley Act

> (GLBA). This will make Pennsylvania the 39th jurisdiction to be so

> certified. The working group began review of a draft Fingerprint Model

> law. PIA will submit comments during the 30-day comment period. Also,

> this group directed NAIC staff to conduct a survey of state implementation

> and compliance with the producer licensing and appointments standards (see

> item #4 below).

>

> The Antifraud Task Force began discussion of the elements that should be

> included in a premium pass through account model bill. PIA will continue

- > to work with the task force chair and staff to craft model language. PIA's
- > Regulatory Affairs and Business Issues Committees have begun consideration
- > of options.
- >
- > The Market Conditions Working Group appointed a Homeowners Subgroup to
- > study the current condition of the homeowners market.
- >
- > The Credit Scoring Working Group continued to discuss the use of credit
- > scores and credit history in the insurance underwriting and rating process
- > and whether such practices have a disproportionate effect on certain
- > demographic groups. Without coming to any conclusion, the working group
- > discussed options for NAIC to contract for a study which would be paid by
- > industry. No one from industry has yet volunteered to pay for such a
- > study, particularly as industry feels that sufficient studies have been
- > done, including an independent study just released by the University of
- > Texas. The University of Texas study is available in the
- > password-protected PIA Members section of www.PIANET.com
- > <http://www.PIANET.com>
- >
- > Several working groups have discussed implementation of the Terrorism Risk
- > Insurance Act and the US Patriot Act. Industry reported that
- > implementation is generally proceeding well.
- >
- > Asbestos litigation and legislation has also received much coverage in
- > various working groups. The Market Conditions Committee will be looking
- > more closely at this issue during the months ahead. The NAIC has
- > reconfirmed its opposition to association health plan legislation. This
- > reconfirmation was necessary after Arkansas presented Congressional
- > testimony from which one could infer that NAIC had reversed its position.
- >
- > A detailed wrap-up of activities at the spring meeting of the NAIC will
- > appear in next Monday's PIA National Newslines, on www.PIANET.com
- > <http://www.PIANET.com> and in the April 2003 issue of PIA Connection.
- >
- > 4. NAIC Producer Licensing Enhancements Recommended by Industry: Most
- > states have adopted producer licensing reform legislation within the past
- > couple of years, and most of the new laws are substantially similar to the
- > NAIC's Producer Licensing Model Act. But each law has its own
- > differences, which are seemingly minor. But 56 "minor" differences thwart
- > uniformity and complicate operations for those dealing in more than one
- > state.
- >
- > Therefore, carrier and producer groups, including PIA, have come together
- > to advise NAIC what these differences are and recommend changes consistent
- > with the Act. In preparation for the NAIC meetings in Atlanta, Georgia on
- > April 8-11, the industry sent a letter to NAIC President Mike Pickens
- > (Ark.) and other members of NAIC Leadership outlining the differences and
- > recommendations. You can read it here:
- > http://www.pianet.com/PIA4/attachments/3_4_03LetterComPickens1.doc
- >
- > Partially in response to the issues raised in this letter, the NAIC
- > Producer Licensing Working Group now meeting in Atlanta directed staff to
- > conduct a survey of the states to determine each state's implementation
- > and compliance with the producer licensing and appointments standards
- > adopted in 2002. A report on the survey will be made at or prior to the
- > meeting NAIC meeting in June.
- >
- > 5. Bush Administration Presents Proposal for Association Health Plans:
- > Last Thursday, the Bush Administration completed its rollout of a proposal
- > that would let small businesses buy into group insurance provided by
- > association health plans (AHPs), with the introduction of S. 545, the
- > Small Business Health Fairness Act introduced by Senator Olympia Snowe
- > (R-ME). Earlier this year, Representative Ernie Fletcher (R-KY),

> introduced H.R. 660, the Small Business Health Fairness Act. President
> Bush says his plan would help extend coverage to the 41 million Americans
> who lack health insurance. A host of small business groups support the
> plan. But it is opposed by the National Governors Association. The
> National Association of Insurance Commissioners (NAIC) had objected to an
> AHP proposal advanced by the National Federation of Independent Businesses
> (NFIB) because it repeated all the problems of ERISA without updating all
> the corrections that have gone on to ERISA programs. The NAIC still has
> concerns in this regard about President Bush's proposal, but less so than
> with the NFIB proposal.

>
> A major component of the president's health care agenda, this issue is
> likely to see action in the near future. The House Education and the
> Workforce Subcommittee on Employer-Employee Relations has scheduled a
> hearing on H.R. 660 for later this week.

>
> 6. Some Homeowners Increasingly Reluctant to File Claims: Many insurers
> have tightened up on underwriting criteria in the face of big losses and
> the continuing hard market. One result: some homeowners are deciding not
> to file small claims, fearing that their insurance company will cancel
> their homeowners insurance. The recent snowstorms in the Northeast led to
> damaged roofs and flooded basements -- and some homeowners deciding to
> forego making a claim. This article in today's Washington Post tells the
> story of a few of those homeowners. It also contains a nugget about the
> possibility that merely calling a carrier to ask about a possible claim,
> and not filing it, can count against a homeowner the same as actually
> filing one.

>
> Access to the article is free, but there's a two-question registration:
> <<http://www.washingtonpost.com/wp-dyn/articles/A2576-2003Mar9.html>>

>
> 7. Federal Legislative Summit, PIAPAC Dinner Just Over Three Weeks Away:
> PIA's annual Federal Legislative Summit and the annual PIAPAC Fundraising
> Dinner will be held on Thursday, April 3, 2003 in Washington, D.C.
> There's still time to make arrangements to attend!

>
> Just complete the appropriate registration forms:
> <http://www.pianet.com/PIA4/attachments/2003_FLS_Reg1.doc>
> Registration fees for the 2003 PIA Federal Legislative Summit and PIAPAC
> Dinner are non-refundable after March 20, 2003. For more information
> contact PIA Director of Political Affairs Kellie Bray kelliebr@pianet.com
> <<mailto:kelliebr@pianet.com>>

>
> A special thanks to the sponsors for the 2003 PIA FLS:

>
> MetLife Auto & Home
> National Grange Mutual Insurance Company
> PIA-CCEO (PIA-Company Council of Executive Officers)
> Rain & Hail, L.L.C.
> Travelers
> The Vesta Insurance Companies

>
> 8. PIA of Connecticut to Honor Industry Pioneer: Margaret Allis, CPIA,
> will be honored next week for her 50 years of service to the insurance
> industry and more than 30 years as a member of PIA. Allis was the first
> woman president of PIA of Connecticut in 1986-87. In 1999, she received a
> PIA National Service to the Community Award; was PIACT's Professional
> Agent of the Year in 1983 and Professional Insurance Woman of the Year in
> 1978; and Committee Chair of the Year in 1975. "Marge Allis was an
> industry veteran during the last hard market of the 1980s, when many
> current industry professionals were still children," said PIACT President
> James Pascarella, CPCU. "She was a leader to us as PIACT president then,
> and continues to be a legend and inspiration now."

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

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>
> *Quote of the Week: "The number of insolvencies among property/casualty
> insurance companies remained high in 2002, with 38 companies placed either
> under regulatory supervision or into liquidation."
> --A.M. Best Report, issued 3/7/03
>
> 64 Years Ago at PIA: "Insured motorists involved in accidents in 1939
> will find that their liability policies will afford them wider coverage
> than in the past, as a result of changes in standard policy provisions."
>
> --Mutual Review, March 1939
>
> (End of PIA National Newslinc, Monday March 10, 2003)*

Subject: [Fwd: SB13 - Insurance based on Credit Report Ratings]
Date: Mon, 07 Apr 2003 08:38:44 -0800
From: Con Bunde <Senator_Con_Bunde@Legis.state.ak.us>
Organization: Alaska State Legislature
To: Jane Alberts <Jane_Alberts@legis.state.ak.us>

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

Subject: SB13 - Insurance based on Credit Report Ratings
Date: Fri, 4 Apr 2003 13:02:06 -0900
From: "Williams, Carla J." <cwilliam@anvilcorp.com>
To: <Senator_Con_Bunde@legis.state.ak.us>
CC: <Senator_John_Cowdery@Legis.state.ak.us>

Dear Senators: I support passing SB13. I do not believe that insurance companies should be allowed to discriminate based on credit reports. Some people don't have credit or have minor problems with credit, but they have negative credit reports. I was looking at my credit report the other day and even though I pay my credit cards and bills in full every month and have done so for many years, my credit report said that the bank cards had given me too much credit allowance, so it "dinged" me some points. So, the credit reporting agency is saying that the decisions made by the companies that have offered me credit (and are ones taking on the risk) are negative to my credit points. I don't trust credit reporting companies and with the increase in identity theft, I could easily have had credit without my knowledge. Insurance companies have a perfect world, which many companies don't have. They have guaranteed customers. They are providing a service, not a piece of merchandise that they have to repossess. If a person doesn't pay their insurance, it's simple, cancel the policy. But to charge more money just because a person has a perceived credit problem, that is discrimination in my opinion. Carla Williams 13001 Norak Place Anchorage, AK. 99516

Alaska Digest Email News

January 20-26, 2003

Three Bills To Limit Insurers' Use Of Credit Filed In Alaska

Juneau, AK - Three bills filed with the Alaska legislature last week would restrict insurance companies' use of credit information, which could leave consumers paying more for auto and homeowners' policies.

"Without the use of credit-based insurance scores, the majority of consumers would pay higher premiums," said Sam Sorich, vice president and western regional manager of the National Association of Independent Insurers (NAII). "We hope to work with the bill sponsors to clarify some popular misconceptions about this important underwriting tool. The truth is that insurance scores are objective and enable insurers to base their rates on risk, which is fairer to everyone."

House Bill 5, HB 47, and SB 13 are the insurance scoring bills that were pre-filed last week. The 23rd Alaska Legislature convenes on Jan. 21.

Insurance scores are not the sole pricing factor for insurers. Typically, insurers combine such scores with other familiar factors, such as years of driving experience, previous crashes, and the age of a vehicle or home to form a clear picture of the risk and price their products more accurately and fairly, Sorich said.

Although the use of credit information is new for some insurers, the practice has been permitted since 1970 when the U.S. Congress passed the Fair Credit Reporting Act. Insurance companies use credit in different ways, and rates can vary, giving consumers more choices. An NAII member company that is one of the largest personal automobile insurers says two-thirds of its customers enjoy lower premiums because of insurance scoring. Some insurance companies choose not to use credit information at all.

In 2002, 29 state legislatures considered proposals to limit the use of credit. Only nine such proposals passed. In a majority of those proposals, legislators adopted reasonable consumer protections, such as insurance companies' disclosure on their use of insurance scores and prohibitions against companies using insurance scoring as the sole

reason to cancel or non-renew policies.

"NAII and its members stand ready to work out a compromise with lawmakers, and make exceptions for special circumstances," Sorich said.

It is also important for legislators to note that insurance scores have no relationship to how much money people make, where they live, their age or marital status, Sorich said.

"These scores reflect only how responsibly a person manages his or her income, no matter how little that may be," Sorich said. "Research shows that people who manage their personal finances responsibly tend to also manage other important aspects of their life responsibly, such as maintaining their home and driving a car. Although the reasons may not be readily apparent, the clear fact remains that people with poor scores tend to have more frequent and more costly insurance claims."

NAII, based in suburban Chicago, is a leading property/casualty insurance company trade association. Its 715 member companies write more than \$98 billion in annual premium, more than 31 percent of the nation's property/casualty insurance and more than 33 percent in Alaska.

MAIN PAGE & INDEX

CREDIT SCORING LEGISLATION COMPARISON

CSHB 47 (STA)	CSSB 320 (2002 Draft)	CSHB 5 (STA)
<p><u>Purpose of this Act</u> is to regulate the use of credit information for personal lines insurance so that consumers are provided certain protections.</p>	No similar provision.	No similar provision.
<p>21.36.460 (1) Prohibits use of an insurance score calculated using income, sex, address, zip code, ethnic group, religion, marital status, or nationality of the consumer as a factor.</p>	<p>21.39.035(c)(3) prohibits use of a methodology that incorporates gender, race, nationality, or religion.</p>	No similar provision.
<p>21.36.460 (2) An insurer cannot deny coverage, cancel, or non-renew a policy solely on the basis of credit information.</p>	<p>A similar provision is contained in 21.36.460(c).</p>	<p>A similar provision is contained in 21.36.460(d).</p>
<p>21.36.460 (3) An insurer may not base renewal rates solely on credit information.</p>	No similar provision.	No similar provision.
<p>21.36.460 (4) Prohibits an insurer from taking an adverse action against a consumer solely because the consumer does not have a credit card account.</p>	No similar provision.	No similar provision.
<p>21.36.460 (5) Prohibits an insurer from considering an absence of credit information unless the insurer is treated as otherwise approved by the Director of the Division of Insurance.</p>	<p>A similar provision is contained in 21.39.035(c)(1).</p>	<p>A similar provision is contained in 21.39.035(c)(1).</p>

21.36.460 (6) Prohibits an insurer from taking an adverse action based on credit unless the insurer uses a credit report or insurance score calculated within 90 days.	No similar provision.	No similar provision.
21.36.460 (7) Prohibits an insurer from using credit information unless the score is recalculated annually at the request of the consumer or not later than 36 months after the last time the insurer obtained credit information.	No similar provision.	No similar provision.
21.36.460(8)(A) Prohibits an insurer from considering credit inquiries not initiated by the consumer or inquiries requested by the consumer for the consumer's own credit information.	No similar provision.	No similar provision.
21.36.460(8)(B) Prohibits consideration of inquiries relating to insurance coverage if so identified.	A similar provision is contained in 21.39.035(c)(4)	21.36.460(e)(2) and 21.39.035(c)(2) prohibit consideration of the "number of credit inquiries" but neither contains any reference to insurance inquiries.
21.36.460(8)(C) Prohibits consideration of collection accounts with a medical industry code if so identified.	21.39.035(c)(5) prohibits use of a collection account identified with a medical industry code.	Proposed 21.36.460(e)(3) and 21.39.035(c)(5) prohibit consideration of credit history or an insurance score based on medical bills.
21.36.460(8)(D) Prohibits consideration of multiple lender inquiries identified as being from the home mortgage industry made within 30 days of one another.	A similar prohibition is contained in 21.39.035(c)(4).	No similar prohibition, although as set forth above, there is a blanket prohibition on the number of credit inquiries.

<p>21.36.460(8)(E) Prohibits consideration of multiple lender inquires if noted as being from the automobile lending industry.</p>	<p>A similar prohibition is contained in AS 21.39.035(c)(4).</p>	<p>No similar prohibition, although as set forth above, there is a blanket prohibition on the number of credit inquiries.</p>
<p>21.36.460(b) provides for a retroactive correction and refund process calculated back to the last 12 months of coverage or the actual policy period, whichever period is shorter.</p>	<p>21.36.460(f) provides for a similar retroactive refund process retroactive to the effective date of the current policy term.</p>	<p>21.36.460(f) provides for a similar retroactive refund process retroactive to the effective date of the current policy term.</p>
<p>21.36.460(c) requires disclosure that credit information may be used and that the disclosure shall be in the same medium as the application for insurance.</p>	<p>21.36.460(a) requires oral or written permission to use credit scoring in the underwriting process.</p>	<p>21.36.460(a) requires written permission to use credit scoring in the underwriting process.</p>
<p>21.36.460(d) requires notification if an adverse action is based on credit information. The explanation must contain the reason for the adverse action in sufficiently clear language that a person can identify the basis for the insurer to take an adverse action.</p>	<p>21.36.460(b) contains a similar adverse action notification requires, but also requires that the consumer be informed that the consumer is entitled to a free copy of the consumer's report and an the opportunity to identify errors and request reconsideration.</p>	<p>21.36.460(b) contains a similar adverse action provision and requires that the consumer be informed that the consumer is entitled to a free copy of the consumer's report.</p>
<p>21.36.460(e) contains a provision for indemnification of insurer's agents.</p>	<p>No similar provision.</p>	<p>No similar provision.</p>
<p>21.36.460(f) prohibits a consumer reporting agency from selling data or lists that include information submitted in conjunction with an insurance inquiry.</p>	<p>No similar prohibition.</p>	<p>No similar prohibition.</p>
<p>21.36.460(g) The definitions in all 3 bills are similar and appear to be based on the definitions contained in the Fair Credit Reporting Act. The definitions contained in CSHB 47 are more comprehensive.</p>		

<p>21.39.035 provides that credit information may not be used to determine personal insurance rates, premiums, or eligibility for coverage unless the insurance scoring model processes are filed with the Director and that information is confidential and considered to be a trade secret.</p>	<p>Requires that the credit scoring model be filed with the Director <i>if requested</i> by the Director and any information so filed is considered confidential and trade secret.</p>	<p>Requires that the credit scoring model be filed with the Director and any information so filed is considered confidential and trade secret.</p>
<p>No such provision.</p>	<p>21.39.035(c)(3) prohibits use of a credit history or a credit score that results in discrimination</p>	<p>No such provision.</p>
<p>No similar provision. No restriction on renewal.</p>	<p>Allows cancellation within the first 60 days but no restriction on renewal.</p>	<p>21.36.460(c) prohibits cancellation and/or failure to renew except that an insurer may cancel within the first 60 days of the effective date of the contract.</p>
<p>No similar prohibition.</p>	<p>No similar prohibition.</p>	<p>21.36.460(4) and 21.39.035(c)(4) prohibit consideration of the use of a particular type of credit card, charge card, or debit card.</p>
<p>No similar prohibition.</p>	<p>Prohibits consideration of consumer's total available line of credit but allows consideration of the total amount of outstanding debt in relation to the available total line of credit.</p>	<p>21.36.460(e)(5) prevents consideration of consumer's total available line of credit while the corresponding 21.39.035(c)(5) also prohibits consideration of the consumer's total available line of credit but does allow the consideration of the total amount of outstanding debt in relation to the total available credit.</p>

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P.O. Box 419061
Rancho Cordova, CA 95741-9061
Telephone: 877 776-2436
Facsimile: 916 904-5567
progressive.com

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

Re: Alaska Senate Bill 13

Dear Mr. Chairman:

As part of the recent public debate on the use of credit in insurance in Alaska, we have received requests to provide examples of customers who benefit from the use of credit. I am writing to provide such examples of Alaska Progressive policyholders benefiting from the use of credit.

Attached is a table containing information about twelve Progressive policyholders in Alaska that benefited from the use of credit. All of these individuals had no violations on their driving records. The right-most column in the table below includes the percentage decrease (or discount) that they received because we were able to consider their credit information in our rating process. The sample below includes policyholders from the Anchorage area, because that is where the question originated. Similar examples can be provided throughout the state of Alaska.

	Policy inception date	Age of rated driver	Marital status of rated driver	City	Zip Code	Premium with credit	Premium without credit	Premium decrease due to use of credit
1	02/26/2003	38	Single	ANCHORAGE	99504	\$466	\$588	26%
2	01/24/2003	39	Married	EAGLE RIVER	99577	\$702	\$886	26%
3	11/26/2002	42	Single	ANCHORAGE	99504	\$768	\$969	26%
4	12/23/2002	64	Married	ANCHORAGE	99508	\$1,353	\$1,707	26%
5	02/10/2003	61	Single	ANCHORAGE	99504	\$679	\$984	45%
6	11/12/2002	26	Married	ANCHORAGE	99504	\$464	\$672	45%
7	10/08/2002	43	Single	ANCHORAGE	99508	\$500	\$725	45%
8	10/09/2002	45	Married	ANCHORAGE	99508	\$424	\$615	45%
9	10/18/2002	54	Single	ANCHORAGE	99504	\$582	\$844	45%
10	11/23/2002	49	Single	ANCHORAGE	99504	\$857	\$1,242	45%
11	10/02/2002	51	Married	ANCHORAGE	99508	\$1,766	\$2,560	45%
12	01/02/2003	37	Single	ANCHORAGE	99508	\$322	\$467	45%

For privacy reasons, I cannot provide any policyholder information that would allow for these individuals to be identified, such as their policy numbers or names. I would be happy to provide to you and to your committee any additional information that does not constitute a breach of our policyholders' right to privacy.

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P.O. Box 419061
Rancho Cordova, CA 95741-9061

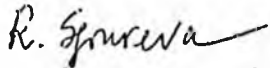
Please feel free to contact me at (800) 260 3534 ext 45361 with any questions or if I can be of any further assistance to you and to the Senate Labor & Commerce Committee members in this process.

777 776-2436

904-5567

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Sincerely yours,



Russina Sgoureva, Ph.D.
Alaska Agency Product Manager
Progressive Companies