

Sponsor Statement for HB 212

Employer's Liability for Workers Compensation

An Act relating to an employer's liability for providing workers' compensation coverage.

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Under current Alaska statute, contractors are responsible for workers compensation insurance for employees of subcontractors unless subcontractors provide their own coverage. If the contractors are sole proprietors, they are not required to have workers compensation unless they have employees. Alaska statute provides for sole proprietors to purchase workers compensation coverage but does not require it. House Bill 212, by request of the Alaska State Homebuilders Association, requires workers compensation insurance for sole proprietors.

The Workers Compensation Board has found in certain cases that injured sole proprietors are employees of the general contractors and not independent contractors. Therefore, the general contractor has been responsible for workers compensation coverage. Because of these cases, insurance companies have charged general contractors an additional premium for sole proprietor subcontractors. As a matter of fairness to all parties, HB 212 requires sole proprietors to carry their own workers compensation coverage.

Understandably, insurance companies and general contractors are concerned about their liability for on-the-job injuries and seek a clear understanding of the costs of workers compensation coverage before bidding jobs. General contractors are also concerned that injuries to subcontractors and their employees may affect their individual loss history, which would result in higher costs for workers compensation coverage. Sole proprietors and subcontractors are concerned about the cost of coverage and the situations where they are required to either purchase coverage or have it purchased for them through the general contractor even though Alaska statute does not require such coverage.

The simplest solution, requiring workers compensation for sole proprietors, provides clarity to subcontractors who purchase coverage directly, and to the general contractor if the subcontractor does not. HB 212 meets the concerns of the Division of Workers Compensation and more importantly, provides protection and coverage to the broadest range of injured individuals.