

**FIRST ENGROSSMENT  
with Conference Committee Amendments****ENGROSSED HOUSE BILL NO. 1116**

Introduced by

Representative Keiser

(At the request of the Department of Corrections and Rehabilitation)

1 A BILL for an Act to create and enact six new sections to chapter 65-06.2 of the North Dakota  
2 Century Code, relating to workers' compensation coverage for inmates engaged in work  
3 programs through roughrider industries; to amend and reenact sections 65-05-07.2 and  
4 65-06.2-01 of the North Dakota Century Code, relating to the requirement that employers pay a  
5 portion of the medical benefits of workers' compensation claims and to the definition of an  
6 inmate; and to provide an expiration date.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. AMENDMENT.** Section 65-05-07.2 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10 **65-05-07.2. Payment to bureau for certain claims.** The employer shall reimburse the  
11 bureau for all medical expenses related to a compensable injury to an employee if the  
12 expenses are not more than two hundred fifty dollars and shall reimburse the bureau for the  
13 first two hundred fifty dollars of medical expenses when the expenses are more than two  
14 hundred fifty dollars. If an employee's compensable injury is determined through a civil action  
15 to have been sustained through the fault or negligence of a third person, or if a settlement has  
16 been entered between the employee and a third person through which the third person agrees  
17 to compensate the employee for the injury, the bureau, upon receipt of its subrogation interest,  
18 shall credit the account of the employer to the extent of the payment made by the employer to  
19 the bureau under this section. Upon the bureau's determination that the claim is compensable,  
20 the bureau shall pay the medical expenses associated with the claim and notify the employer of  
21 payments to be made by the employer under this section. If the employer does not pay the  
22 bureau within ninety days of notice by the bureau, the bureau may impose a penalty on that  
23 employer. The penalty may not exceed one hundred twenty-five percent of the payment owed  
24 by the employer. The bureau shall collect the penalty in a civil action against the employer and

1 deposit the money in the fund. An employer may not directly or indirectly charge an injured  
2 employee for any payment the employer makes on a claim. When the cost of an injured  
3 employee's medical treatment exceeds two hundred fifty dollars, the bureau shall pay all further  
4 medical expenses pursuant to this title. This section is effective for all compensable injuries  
5 that occur after July 31, 1995. Compensable injuries paid under sections 3, 4, 5, 6, and 7 of  
6 this Act are not subject to this section.

7 **SECTION 2. AMENDMENT.** Section 65-06.2-01 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9 **65-06.2-01. Inmate defined.** For the purposes of ~~this chapter~~ sections 65-06.2-02 and  
10 65-06.2-03, an inmate is a person who is confined against the inmate's will in a city or county  
11 penal institution or is a person who, as a criminal defendant before a court, is ordered or elects  
12 to perform public service for a city or county in conjunction with or in lieu of a jail sentence. The  
13 term inmate does not include an individual injured while incarcerated in the North Dakota state  
14 penitentiary or any of its affiliated facilities or an individual injured in a fight, riot, recreational  
15 activity, or other incident not directly related to the inmate's work assignment.

16 **SECTION 3.** A new section to chapter 65-06.2 of the North Dakota Century Code is  
17 created and enacted as follows:

18 **Workers' compensation coverage for inmates engaged in work programs through**  
19 **roughrider industries.** The director of the department of corrections and rehabilitation may  
20 elect to provide and request from the bureau a program of modified workers' compensation  
21 coverage established under this chapter and according to administrative rules and fee  
22 schedules of this chapter. Roughrider industries shall qualify for the bureau's risk management  
23 program before the bureau may provide the modified workers' compensation coverage. The  
24 modified workers' compensation coverage would be for inmates incarcerated at the penitentiary  
25 and engaged in work in a prison industries work program through roughrider industries,  
26 whether the program is operated by roughrider industries or by contract with another entity or  
27 private employer. An inmate who sustains a compensable injury arising out of and in the  
28 course of work in a prison industries work program through roughrider industries may only  
29 receive workers' compensation benefits under the modified workers' compensation coverage  
30 established for that purpose.

1           **SECTION 4.** A new section to chapter 65-06.2 of the North Dakota Century Code is  
2 created and enacted as follows:

3           **Modified coverage of inmates engaged in work programs through roughrider**  
4 **industries - Conditions.** Except as otherwise provided in this chapter, all claims for workers'  
5 compensation benefits under this section and sections 3, 5, and 7 of this Act are subject to title  
6 65. A claim under this section and sections 3, 5, and 7 of this Act must be filed according to  
7 section 65-05-01. While an inmate is incarcerated at the penitentiary, the penitentiary shall pay  
8 the reasonable medical expenses of that inmate at penitentiary medical payment levels, if that  
9 inmate incurs a compensable injury while working in a prison industries work program through  
10 roughrider industries. If an inmate sustains a compensable injury while working in a prison  
11 industries work program through roughrider industries, disability, vocational rehabilitation  
12 allowance, and permanent partial impairment benefits may not accrue or be paid while the  
13 inmate is incarcerated and may only be paid after the inmate is discharged from the  
14 penitentiary. If the director of the department of corrections and rehabilitation and the bureau  
15 determine that an inmate who suffers a compensable injury under this chapter is in need of  
16 vocational rehabilitation services while the inmate is incarcerated, the penitentiary and the  
17 bureau may provide vocational rehabilitation services to the inmate. An injury resulting from a  
18 fight, riot, recreational activity, or other activity or incident other than the inmate's actual  
19 performance of work duties in a prison industries work program through roughrider industries is  
20 not compensable under this title.

21           **SECTION 5.** A new section to chapter 65-06.2 of the North Dakota Century Code is  
22 created and enacted as follows:

23           **Rulemaking - Excess or reinsurance coverage.** The bureau, in cooperation with the  
24 department of corrections and rehabilitation and the risk management division of the office of  
25 management and budget, shall adopt administrative rules and fee schedules for a program of  
26 modified workers' compensation coverage established and provided under this section and  
27 sections 3, 4, and 7 of this Act. The administrative rules and fee schedules must provide for  
28 the classification of inmates engaged in work in a prison industries work program through  
29 roughrider industries, the computation of premium, the payment of claims charges against the  
30 classification, the payment of medical bills, excess coverage or reinsurance, and the  
31 reimbursement by roughrider industries to the bureau for all claim benefit costs charged against

1 that classification, as well as any allocated loss adjustment expense and all administrative  
2 expenses, including the expense of issuing the coverage, for the life of the claim in excess of  
3 premiums and medical expenses paid by roughrider industries. Roughrider industries shall  
4 secure excess coverage or shall reinsure all excess risks through the risk management division  
5 to cover the costs in excess of premiums and medical expenses paid. The risk management  
6 division shall assess a premium against roughrider industries for the cost of excess or  
7 reinsurance coverage and roughrider industries shall pay that premium.

8       **SECTION 6.** A new section to chapter 65-06.2 of the North Dakota Century Code is  
9 created and enacted as follows:

10       **State reimbursement for liability in excess of collected premiums.** Whenever total  
11 costs and expenses charged to the classification of the modified workers' compensation  
12 program established under this chapter exceeds the amount of premiums paid into the fund  
13 and any policy limits of the reinsurance or excess coverage purchased under section 5 of this  
14 Act, those excess costs and expenses are a general obligation of the state and the state shall  
15 reimburse the bureau for credit to the workers' compensation fund through legislative  
16 appropriation. Roughrider industries shall secure a means of reinsuring excess costs and  
17 expenses to minimize exposure of loss to the state general fund. The bureau may not provide  
18 the additional excess coverage or reinsurance required under this section. This modified  
19 workers' compensation coverage may not be effective unless the excess coverage or  
20 reinsurance required under this section is in place.

21       **SECTION 7.** A new section to chapter 65-06.2 of the North Dakota Century Code is  
22 created and enacted as follows:

23       **No liability for damages - Inmates are not employees.** The state and its employees,  
24 and the department of corrections and rehabilitation and its divisions, departments, and  
25 employees may not be held liable for damages at common law or by statute if an inmate  
26 covered under a program of modified workers' compensation coverage under this chapter  
27 sustains a compensable injury while working in a prison industries work program through  
28 roughrider industries. An inmate covered under a program of modified workers' compensation  
29 coverage under this chapter is not an employee of the state or the department of corrections  
30 and rehabilitation and its divisions and departments except for the purpose of modified workers'  
31 compensation coverage under this chapter.

1           **SECTION 8.** A new section to chapter 65-06.2 of the North Dakota Century Code is  
2 created and enacted as follows:

3           **Safety and performance audit.** The bureau shall perform a safety audit of the  
4 roughrider industries work programs covered under this chapter and a performance audit of the  
5 program of modified workers' compensation coverage. The bureau shall submit a report with  
6 recommendations based on the safety and performance audit to an interim committee  
7 designated by the legislative council no later than thirty days before the commencement of  
8 each regular session of the legislative assembly.

9           **SECTION 9. EXPIRATION DATE.** This Act is effective through June 30, 2003, and  
10 after that date is ineffective.