

# FISCAL NOTE

Requested by Legislative Council

02/04/2005

Amendment to: HB 1125

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		\$0		\$0		\$0
Expenditures		\$0		\$0		\$0
Appropriations		\$0		\$0		\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

WORKFORCE SAFETY & INSURANCE

2005 LEGISLATION

SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Minimum Premiums, Discounts, and Medical Assessments

BILL NO: Engrossed HB 1125

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance (WSI), together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation allows changes to the minimum premium to be considered as part of the rate-making process; removes the mandated 5% discount for successful participation in a Risk Management Program with the intent of providing for a range of discounts dependent upon the individual success of those participating; provides for a waiver of the \$250 medical assessment for employers who report claims by the end of the next business day following the date of injury; increases the medical assessment up to \$350 for failure to report a known workplace injury within 14 days; and simplifies the calculation of premium for employers carrying optional coverage on their children.

The amendments to the original bill clarify that 24 hour reporting is intended to mean by midnight of the next business day and also establish a continuing appropriation authority to fund safety education, grant, and incentive programs in the event there is a reserve surplus. This amendment would allow WSI to direct surplus resources in order to assure we are doing all we can to protect North Dakota's workforce through aggressive safety efforts.

FISCAL IMPACT: No significant quantifiable impact is anticipated. Implementation and participation in safety programs is an effective way to reduce overall claims frequency and reduce overall claims costs. Revamping the criteria and discount ranges of the existing safety discount programs to include additional incentives for improvements in timely claims reporting, reductions in claim frequency, and reductions in claim severity may serve to reduce overall claims

costs. To the extent these programs are successful; the reduced costs will be reflected in future premium levels. The waiver of the \$250 medical assessment provides an incentive for employers who report claims promptly. Studies indicate that as reporting lag time increases, claims costs rise. Based on an industry study, claims reported during the second week cost 18% more than those reported in week one; claims reported during weeks three and four cost approximately 30% more than those reported in week one; and the cost differential continues to increase with the increase in report lag. To the extent reporting lag time is reduced and results in reductions of overall claims costs, it will be reflected in future premium levels.

The amendment clarifying 24 hour reporting does not change the impact for the bill as originally introduced. The amendment creating a continuing appropriation for funding various safety initiatives will be funded out of surplus reserves. It is intended these expenditures will result in safer workplaces, less injuries, and reductions in overall claims costs, thus, offsetting the monies expended from the reserve fund.

DATE: February 4, 2005

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

see Narrative for Actuarial Impact statement required to conform with Section 54-03-25 of the NDCC relating to the potential impact on statewide rate and reserve levels.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

see Narrative for Actuarial Impact statement required to conform with Section 54-03-25 of the NDCC relating to the potential impact on statewide rate and reserve levels.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Not Applicable.

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**Agency:** WSI  
**Date Prepared:** 02/04/2005