

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/04/2009

Amendment to: HB 1408

**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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The amended legislation would allow employers to self-insure coverage for workers' compensation coverage in North Dakota.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

WORKFORCE SAFETY & INSURANCE  
2009 LEGISLATION  
SUMMARY OF ACTUARIAL INFORMATION

BILL NO: Engrossed HB 1408

BILL DESCRIPTION: Self Insurance of Workers Compensation

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, 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 amended legislation would allow employers to self-insure coverage for workers' compensation coverage in North Dakota.

**Actuarial Analysis:**

We are pleased to offer our preliminary thoughts regarding the potential rate and reserve level impact of House Bill 1408 as recently amended. We provided our thoughts regarding the bill in its original form in a document dated January 27, 2009. As we understand the proposed revisions, the amended bill will differ from the original in two respects:

- Responsibility for oversight and regulation of self-insureds, insurers and reinsurers will be shifted from WSI's Director to the Insurance Department.
- References to reinsurance and reinsurers in the original proposal will be replaced by references insurance and insurers. We view this change as simply one that will bring bill language into conformity with common insurance industry terminology – self-insureds purchase insurance (usually in the form of excess insurance) not reinsurance.

With the exception of clarification regarding the role of the insurance department, we believe that the comments contained in our January 21 document continue to be largely appropriate for the bill as amended. In particular, we note the following:

- The amended bill retains the limit on reinsurance/insurance to at most 80% of the underlying liabilities.
- WSI will continue to fill the role as ultimate guarantor for self-insureds. It is not clear how insured liabilities will be handled in the event that an insurance carrier defaults.
- The potential for rate increase and market dislocations will continue to exist.
- Issues related to retroactive benefit changes will remain.

Though self-insurance may offer long term advantages to employers in the state, we believe that it would be best to proceed cautiously, and only after the potential ramifications on North Dakota's workers' compensation market are better understood.

DATE: February 4, 2009

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.*

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.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

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