

FISCAL NOTE
Requested by Legislative Council
01/26/2017

Amendment to: HB 1223

- 1 A. **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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$232,213		\$243,819
Appropriations				\$232,213		\$243,819

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **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 bill aims to privatize worker's compensation coverage and would require the Insurance Department to regulate such coverage.

Please also see the attachment provided by WSI.

- 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.*

To carry out the functions of this bill, the Insurance Department would need one and a half additional FTEs, a half-time position in the Examinations and Company Licensing Division and a full-time position in the Product Filing Division, along with operating expenditures to support those positions.

Please also see the attachment provided by WSI.

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.*

This bill has no fiscal impact to revenue.

- 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.*

Salaries and benefits for the new positions are estimated at \$221,843 and \$232,935 for the 2017-2019 and 2019-2021 bienniums, respectively. The operating expenditures to support and train these new positions are estimated at \$10,370 for 2017-2019 and \$10,884 for 2019-2021.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

All expenditures highlighted above would need to be appropriated.

Name: Melissa Seifert

Agency: Insurance Department

Telephone: 328-2930

Date Prepared: 01/27/2017

WORKFORCE SAFETY & INSURANCE
2017 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL NO: Engrossed HB 1223

BILL DESCRIPTION: Private Insurance for Workers' Compensation

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its actuarial firm, Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation provides employers the ability to obtain private insurance for workers' compensation coverage.

FISCAL IMPACT:

This bill opens the workers' compensation market to private insurance and assigns obligations to the Insurance Commissioner including establishing rules and regulations for those employers opting for private insurance.

The current system in North Dakota has resulted in very low costs when compared to private insurance companies. The current system results in lower expense percentage cost because of the efficiencies of size, and it does not pay for expenses normally associated with private insurance, such as, advertising and sales commissions. The bill as written does not specifically address what happens when a private workers' compensation insurer goes into receivership or otherwise defaults on its obligations. It is unclear how the remaining liabilities to injured workers would be handled.

While the administrative cost of this program is substantial, there is no funding mechanism, such as premium tax, to pay for these additional duties assigned to the Insurance Department or the additional duties that would be required of WSI.

DATE: January 27, 2017