

FISCAL NOTE

(Return in triplicate)

Bill/Resolution No.: SB 2198 Amendment to: \_\_\_\_\_

Request by Legislative Council Date of Request: 1-15-93

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative: Failure to pass this bill would have an actuarial impact to the fund. Even a 1% reopening rate could increase the Bureau's liability by more than \$1.4 million dollars on a discounted basis as of July 1, 1993. Premium rates would also have to be adjusted to reflect higher prospective rates.

See attached for additional information.

2. State fiscal effect in dollar amounts:

| <u>1991-93</u>  |                | <u>1993-95</u>  |                | <u>1995-97</u>  |                |
|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| <u>Biennium</u> |                | <u>Biennium</u> |                | <u>Biennium</u> |                |
| <u>General</u>  | <u>Special</u> | <u>General</u>  | <u>Special</u> | <u>General</u>  | <u>Special</u> |
| <u>Fund</u>     | <u>Funds</u>   | <u>Fund</u>     | <u>Funds</u>   | <u>Fund</u>     | <u>Funds</u>   |

Revenues: See Above  
Expenditures:

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1991-93 biennium: \_\_\_\_\_
- b. For the 1993-95 biennium: \_\_\_\_\_
- c. For the 1995-97 biennium: \_\_\_\_\_

4. County and City fiscal effect in dollar amounts:

| <u>1991-93</u>  |               | <u>1993-95</u>  |               | <u>1995-97</u>  |               |
|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| <u>Biennium</u> |               | <u>Biennium</u> |               | <u>Biennium</u> |               |
| <u>Counties</u> | <u>Cities</u> | <u>Counties</u> | <u>Cities</u> | <u>Counties</u> | <u>Cities</u> |

If additional space is needed, attach a supplemental sheet.

Signed  \_\_\_\_\_

Typed Name Randy Hoffman

Department ND WCB

Phone Number 224-3893

Date Prepared: 1-15-92

|              |          |
|--------------|----------|
| SPONSOR:     | WCB      |
| BILL DRAFT:  | 38265.01 |
| BILL NUMBER: | SB 2198  |

DESCRIPTION: LUMP SUM SETTLEMENTS

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54–03–25.

The ND Workers Compensation Bureau, together with its actuary, has reviewed this legislation and determined that failure to pass the bill will have an actuarial impact to the fund. Because of the difficulty in projecting actual levels of impact, the impact of this bill is expressed through a range of possibilities.

There have been more than seven hundred cases resolved with settlements since July 1987. A detailed review of 99 claims that were resolved during the one year period ending June 30, 1991, illustrates that approximately two-thirds of these cases are subject to reopening. The Bureau's liability for these claims will depend on a number of factors including:

- \* The number of cases that actually reopen.
- \* The degree of disability and the corresponding benefit levels for the claims that reopen.
- \* The length of disability for the reopened claims.

A "worst case" scenario would have all eligible cases reopened as permanent total disability (PTD) claims. This scenario is not the most representative; however, it does provide a sound basis for quantifying potential effect of the current provision in this law. The table below presents estimates of the increase in the Bureau's liability under the assumption that all reopened claims would be PTDs. These costs would be less than indicated in this table if they are classified as other than PTDs.

| Reopening Rate | ANNUAL LOSS COSTS |                         | UNPAID LOSSES |
|----------------|-------------------|-------------------------|---------------|
|                | Discounted        | 93/94 Rate level effect | Discounted    |
| 1%             | 160               | 0 – .5%                 | 1,400         |
| 5%             | 800               | .5 – 1%                 | 7,200         |
| 10%            | 1,600             | 1.5 – 2%                | 14,400        |
| 15%            | 2,300             | 2.5 – 3%                | 21,600        |
| 25%            | 3,900             | 3.5 – 4%                | 36,000        |
| 50%            | 7,800             | 7.5 – 8%                | 72,000        |
| 100%           | 15,600            | 15 – 16%                | 144,000       |

## ACTUARIAL IMPACT Continued

This data illustrates that even with a 1% reopening rate, the Bureau's liability could increase by more than \$1.4 million on a discounted basis as of July 1, 1993. Premium rates would have to be adjusted to reflect higher prospective costs.

It should be emphasized that the estimates presented are only illustrative examples. It is impossible to estimate future reopening rates.

It should also be pointed out that current premium rate and loss reserve levels were developed under the assumption that reopenings will not change over current historical levels. Should this bill not pass and the legislation remain as written, it will be necessary to reevaluate the appropriateness of that assumption. The probable result would likely be a recommendation to increase both rates and reserves over their current levels.

## OTHER IMPACT (2)

Reopening of claims thought to be previously closed would result in an increased claims processing load. Actual cost of administration would be highly dependent upon the levels of reopenings.

### (1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses liability for unpaid losses or prospective rate levels.

### (2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or a change that will have a measurable and significant impact on the Bureau's operating costs.