

FISCAL NOTE

(Return original and 13 copies)

Bill/Resolution No.: HB 1116 Amendment to: _____
Requested by Legislative Council Date of Request: 01/02/97

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

Narrative:

(see attached)

- 2. State fiscal effect in dollar amounts:

| | | | | | |
|-----------------|----------------|-----------------|----------------|------------------|----------------|
| <u>1995-97</u> | | <u>1997-99</u> | | <u>1999-2001</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:

Expenditures:

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

a. For rest of 1995-97 biennium: _____

b. For the 1997-99 biennium: _____

c. For the 1999-2001 biennium: _____

- 4. County, City and School District fiscal effect in dollar amounts:

| | | | | | | | | |
|-----------------|---------------|------------------|-----------------|---------------|------------------|------------------|---------------|------------------|
| <u>1995-97</u> | | | <u>1997-99</u> | | | <u>1999-2001</u> | | |
| <u>Biennium</u> | | | <u>Biennium</u> | | | <u>Biennium</u> | | |
| | | <u>School</u> | | | <u>School</u> | | | <u>School</u> |
| <u>Counties</u> | <u>Cities</u> | <u>Districts</u> | <u>Counties</u> | <u>Cities</u> | <u>Districts</u> | <u>Counties</u> | <u>Cities</u> | <u>Districts</u> |

If additional space is needed, attach a supplemental sheet.

Signed J. Patrick Traynor

Typed Name J. Patrick Traynor

Date Prepared: 01/13/97

Department Workers Compensation Bureau

Phone Number (701) 328-3856

NORTH DAKOTA WORKERS COMPENSATION BUREAU
1997 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Roughrider Industries / Inmates Work Programs

BILL NO: HB 1116

SUMMARY OF ACTUARIAL INFORMATION: The Workers Compensation Bureau, together with its Actuary, Glenn Evans of Pacific Actuarial Consultants, have reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

Creates a new chapter to title 65 relating to Worker's Compensation coverage for inmates engaged in work programs through Roughrider Industries.

FISCAL IMPACT: Anticipate no reserve level impact, since proposed legislation is designed to apply prospectively. However, we do anticipate an unknown increase in administrative costs relating to claims processing due to increases in workload.

Actuary statement is attached.

FACSIMILE TRANSMISSION
(701) 328-3770
Two Pages

January 13, 1997

John Halvorson
North Dakota Workers Compensation Bureau
500 East Front Ave.
Bismarck, North Dakota 58504-5685

RE: House Bill 1116 - Workers Compensation Coverage for Inmates

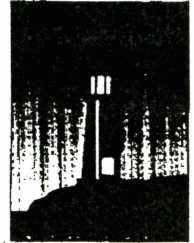
Dear Mr. Halvorson:

We are pleased to respond to your request for an evaluation of the potential rate level and loss reserve impact of House Bill 1116 which would provide for workers' compensation coverage for inmates engaged in work programs through roughrider industries.

As we understand the proposed legislation, HB 1116 would introduce several changes in the way inmates incarcerated in State penitentiaries or affiliated institutions are compensated for work related injuries. Some of the most important provision are identified below.

- The Bureau will be required to offer "modified workers' compensation coverage" (MWCC) to inmates incarcerated in State penitentiaries or affiliated institutions. Such inmates are not covered under the State's workers compensation act in its current form.
- Disability benefits under MWCC will begin to accrue when the injured inmate is discharged from the penitentiary. Inmates will not collect disability benefits while incarcerated.
- The penitentiary will have the option to pay reasonable medical expenses while the injured inmate is incarcerated. The Bureau will assume direct responsibility for such payments after release.
- Roughrider will be required to reimburse the Bureau of claim benefit costs charged against the classification in excess of the premiums and medical expenses paid.
- Roughrider will have the option to purchase excess insurance to cover claim benefit costs in excess of premium and medical expenses paid. However, the excess coverage will be limited to \$250,000 per person and per occurrence under Section 32-12.2-02.

ROUGHRID DOC - 01/13/97



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We will need to establish rates for MWCC based largely on judgment because the Bureau does not presently have historical data that can be used to derive estimates of expected cost levels under the proposed legislation. The legislation should not change the Bureau's current loss reserve requirements because the bill was designed to apply prospectively.



PAC

Based on our conversations with the Bureau's legal staff, we believe that some ambiguities exist in the current version of this bill. We recommend that you attempt to clarify a few points before the legislation is submitted in final form. Most of our questions relate to the premium assessments that are available to the Bureau in the event that claims benefits costs charged against the classification exceed premiums and medical expenses.

- Will the penitentiary's voluntary direct payment of medical expenses which are not coded to the classification act to reduce the additional assessments which are designed to cover premium deficiencies?
- How will Bureau expenses incurred in servicing the policy and in adjusting claims be reflected in the calculation of the additional premium assessment?
- Will the premium assessments be calculated separately for each policy period, or on an inception to date basis?
- What recourse will the Bureau have for benefit costs arising out of future loss emergence if the roughrider program is discontinued?
- How will losses in excess of \$250,000 be handled? Keep in mind that the bill includes a per person and per occurrence limit of \$250,000 for excess insurance. Will the Bureau be required to pay such excess costs without the potential for reimbursement?

We hope our thoughts help in your analysis of this issue. Please give me a call at (415) 949-5859 with your questions and comments.

Cordially,

Glenn Evans, FCAS, MAAA
Consulting Actuary