

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2342 Amendment to: \_\_\_\_\_

Requested by Legislative Council Date of Request: 1-20-99

- 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:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures:

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

- a. For rest of 1997-99 biennium: \_\_\_\_\_
- b. For the 1999-2001 biennium: \_\_\_\_\_
- c. For the 2001-03 biennium: \_\_\_\_\_

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

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed J. Patrick Traynor

Typed Name J. Patrick Traynor

Department Workers Compensation Bureau

Date Prepared: 01-22-99

Phone Number 328-3856

***NORTH DAKOTA WORKERS COMPENSATION BUREAU***  
***1999 LEGISLATION***  
***SUMMARY OF ACTUARIAL INFORMATION***

***BILL DESCRIPTION:***      **Permanent Partial Impairment**

***BILL NO:*** SB 2342

***SUMMARY OF ACTUARIAL INFORMATION:*** The Workers Compensation Bureau, with the assistance of 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 would reduce the impairment threshold required for permanent partial impairment award eligibility from 16% to 6%. It is believed the proposed schedule is intended to increase the number of weeks awarded for impairments falling on or between the 6% and 33% impairment levels. The remainder of the schedule would stay intact.

***FISCAL IMPACT:***

The proposed legislation is unclear in two areas. First, the proposed bill does not specify whether the proposed schedule would apply to new injuries occurring after the effective date of legislation or to all impairment evaluations conducted after the effective date of legislation. Second, the proposed bill does not specify the number of weeks to be awarded between the 6% and 10%, 10% and 15%, 15% and 20%, 20% and 25%, and the 25% and 30% impairment levels. Due to the confusion, we identified three different interpretations with the hope that one of the interpretations would be in agreement with the intent of the proposed legislation. Each of these interpretations was then priced two different ways: 1) assuming the proposed legislation would apply only to new injuries occurring after the effective date of legislation, and 2) assuming the proposed bill would apply to all impairment evaluations conducted after the effective date of legislation. Although the rate level impact would remain the same under the two assumptions, the difference exists in the reserve level impact. If the bill is intended to apply only to new injuries, there is no reserve impact. If the intent of the proposed bill is to apply to future evaluations in existing claims there is a significant reserve impact. The interpretations are as follows:

***Interpretation 1:*** The categories of impairment that are not specified within the proposed schedule would be pro-rated within each interval. The impact of this interpretation is as follows:

***Rate Level Impact:*** The proposed legislation will generate an increase in the rate level of approximately **5.8%** from the level that would otherwise be required.

***Reserve Level Impact:*** Assuming the proposed bill would apply only to future claims there would be no reserve level impact.

Should the proposed law be intended to apply to impairment evaluations determined after the effective date of legislation, this benefit change will increase required reserve levels for injuries occurring prior to the effective date of the law. The actuary's calculations suggest that the increase in discounted reserves could fall in a range between **\$31 and \$32 million** dollars. These reserve estimates may be somewhat low due to the difficulty associated with quantifying the number of claims that may emerge from prior coverage periods. However, the actuary believes that such costs could exceed **\$5.0 million** for each year since SB 2202 (1995 legislation) became effective. This could increase the reserve estimates provided above by another **\$15.0 million**.

**SB 2342 (continued)**

**Interpretation 2:** The categories of impairment that are not specified within the proposed schedule would be awarded equally within each interval (i.e. 6% to 9% impairments awarded 20 weeks, 10% to 14% impairments awarded 30 weeks,...). The impact of this interpretation is as follows:

**Rate Level Impact:** The proposed legislation will generate an increase in the rate level of approximately **5.5%** from the level that would otherwise be required.

**Reserve Level Impact:** Assuming the proposed bill would apply only to future claims there would be no reserve level impact.

Should the proposed law be intended to apply to impairment evaluations determined after the effective date of legislation, this benefit change will increase required reserve levels for injuries occurring prior to the effective date of the law. The actuary's calculations suggest that the increase in discounted reserves could fall in a range between **\$29 and \$30 million** dollars. These reserve estimates may be somewhat low due to the difficulty associated with quantifying the number of claims that may emerge from prior coverage periods. However, the actuary believes that such costs could exceed **\$5.0 million** for each year since SB 2202 (1995 legislation) became effective. This could increase the reserve estimates provided above by another **\$15.0 million**.

**Interpretation 3:** The categories of impairment that are not specified within the proposed schedule would go without an award. Although this doesn't seem logical the impact of this interpretation is as follows:

**Rate Level Impact:** The proposed legislation will generate an increase in the rate level of approximately **3.1%** from the level that would otherwise be required.

**Reserve Level Impact:** Assuming the proposed bill would apply only to future claims there would be no reserve level impact.

Should the proposed law be intended to apply to impairment evaluations determined after the effective date of legislation, this benefit change will increase required reserve levels for injuries occurring prior to the effective date of the law. The actuary's calculations suggest that the increase in discounted reserves could fall in a range between **\$16 and \$17 million** dollars. These reserve estimates may be somewhat low due to the difficulty associated with quantifying the number of claims that may emerge from prior coverage periods. However, the actuary believes that such costs could exceed **\$3.5 million** for each year since SB 2202 (1995 legislation) became effective. This could increase the reserve estimates provided above by another **\$10.5 million**.