

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1419

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1419

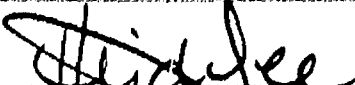
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1419

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 30, 2001

Tape Number	Side A	Side B	Meter #
2		X	0-8.2
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Rick Berg: I am sponsoring this bill to find an independent third party to make a study to discover the pros and cons of a private Workers Compensation system.

Dick Johnson: *ND Workers Comp. Board* We support this bill because it will open up Workers Comp. to competition.

Paul Kramer: (2.92) *ND Worker Comp. Director* **Written testimony in support of bill.**

Rep Ekstrom: Could you address the issues regarding competition?

Kramer: Private insurers would compete for an employers insurance business.

Rep Lemieux: What are the real opportunities?

Kramer: It gives employers choices and large companies the option to become self-insured.

Chairman Berg: We'll close the hearing on HB 1419.

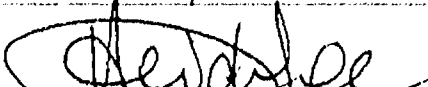
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1419(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 7, 2001

Type Number	Side A	Side B	Meter #
2		X	38.7-59.0
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep N. Johnson: This bill is to have the Insurance Comm.study worker's comp insurance.

Rep Ekstrom: The premium of \$150,000 from Worker's Comp to the sate of ND. Is that okay?

Chairman Berg: Yes because it will benefit them.

Vice-Chair Keiser: This will privatize the board, not the whole agency. I move a do pass and rerefferal to appropriations.

Rep Koppang: I second.

12 yea, 2, nay, 1 absent

Carrier Rep N. Johnson

FISCAL NOTE
Requested by Legislative Council
02/22/2001

Bill/Resolution No.:

Amendment to: HB 1419

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 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.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

**NORTH DAKOTA WORKERS COMPENSATION
2001 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION**

BILL DESCRIPTION: Workers Compensation Insurance Study

BILL NO: Engrossed HB 1419

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, 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 engrossed bill provides for the legislative council to contract with an industry expert to perform a workers' compensation insurance study; and appropriates \$150,000 out of the workers compensation fund for purposes of funding the study.

FISCAL IMPACT: Appropriation of \$150,000 out of the workers compensation fund to fund the cost of the study.

DATE: February 26, 2001

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Paul R. Krainer	Agency:	ND Workers Compensation
Phone Number:	328-3856	Date Prepared:	02/26/2001

FISCAL NOTE

Requested by Legislative Council

01/24/2001

Bill/Resolution No.: HB 1419

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$150,000		
Appropriations				\$150,000		

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

NORTH DAKOTA WORKERS COMPENSATION 2001 LEGISLATION SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Privatization Study

BILL NO: HB 1419

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, 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 proposed bill provides for the insurance commissioner to perform a workers' compensation insurance study; and appropriates \$150,000 out of the workers compensation fund for purposes of funding the study.

FISCAL IMPACT: Appropriation of \$150,000 out of the workers compensation fund to fund the cost of the privatization study.

DATE: January 26, 2001

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Paul R. Kramer	Agency:	ND Workers Compensation
Phone Number:	328-3856	Date Prepared:	01/26/2001

Date: 2-7-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~Click here to type Bill/Resolution No.~~ 1419

House Industry, Business and Labor Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass w/ a Rerefferal to Appropriations

Motion Made By Keiser Seconded By Koppang

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm		✓	Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe		✓

Total (Yes) 12 No 2

Absent 1

Floor Assignment Rep Johnson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 8, 2001 9:16 a.m.

Module No: HR-23-2685
Carrier: N. Johnson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1419: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (12 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1419 was rereferred to the Appropriations Committee.

2001 HOUSE APPROPRIATIONS

HB 1419

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB1419**

House Appropriations Committee

☐ Conference Committee

Hearing Date **February 14, 2001**

Tape Number	Side A	Side B	Meter #
1		x	1119 - 3464
Committee Clerk Signature <i>L. L. Dauter</i>			

Minutes:

House Appropriations Committee Hearing on HB1419.

Rep. Timm: We have the last bill on tap for hearing this morning which is HB1419. Rep. Berg was the main sponsor of the bill which deals with Workman's Compensation, and I see that Paul Kramer is here. I wonder if Rep. Berg wants to testify on this bill. Let us call IBI and see if we can contact him.

Rep. Berg: HB1419 is a bill which really gets at the heart of where we are going long term with Workers Compensation. There has been discussion as to whether they should be a private company, should they remain a state monopoly or what should happen and so the intention of this bill is really to do somewhat of an independent study of Workers Compensation and determine what the effect would be of privatization be of Workers Compensation, so hopefully coming back into the next session or future sessions we would have something other than individual perceptions on where we should go with Workers Compensation. The concept of

having the Insurance Commissioner take a look at this is really important from two standpoints. One, it removes it from the Bureau and so the results or information do not appear to be coming from the bureau and also having the Insurance Commissioner do it reflects more how private insurance company would look at it, so we think he would have the ability to bring accurate information from other states, there are a number of states that have converted from a state system to a private system, so again to give the committee a little background.

Rep. Timm: How did you come up with \$150,000, was that the figure that the Insurance Commissioner thought?

Rep. Berg: It is somewhat of a ball park number, the only kind of review that we have done at Workers Compensation has ranged from \$100, 000 to \$150,000 and to use that number is kind of using that as a starting number. There are states that have converted, so possibly the Insurance Commissioner could gather information the begin the basis of his study.

Rep. Timm: What I'm wondering is , there is a Workers Compensation fund that's paid for by the employers to take care of employees needs, and I know they are going to appropriate money out of there for building a building, and now were going to appropriate money out of there for a study, these are funds that are paid for by employers for other needs and now were using this money for other things other than employees needs.

Rep. Berg: That's exactly the point here. The point is that the results of this will effect employers, if this study comes out and says were going to save 20% on Workers Compensation premiums by keeping a monopolistic system, that's going to benefit employers millions of dollars a year, If the study comes out and says that were going to save %20 by having the private sector insurance with competition that's going to save employers millions of dollars every year, and so really the essence of this study is to go right back to directly benefit those

employers. The worst case scenario for employers in my opinion is not to have a study and go into a legislative session where politically we say we want to make it private, we make it private and premiums go up for employers, or the opposite, we come into a legislative session and say were not going to go to a private insurance we are going to keep it a monopoly because we have built this up and we want to keep it a monopoly when infact we could be costing businesses in North Dakota millions of dollars.

Rep. Kempenich: Why couldn't this be a interim study? And have the Insurance Commissioner work along something of those lines?

Rep. Berg: Its really a combination of the two, and if you look at line 11 the intention would be that the Insurance Commissioner would infact complete this study no later than April of 2002, so that an interim committee could get this information, question this information, challenge the information and hopefully have recommendations for the following legislative session in 2003.

Rep. Warner: I'm somewhat in agreement with Rep. Kempenich. First of all I want to applaud you bringing forth this bill, if were going to go in either of these directions we should do it with our eyes wide open and we should know what the ramifications are going to be, but I was wondering if you would expand a little more on the rationale of assigning this to the Insurance Commissioner rather than taking it completely out of the political context of in state that we see within the legislature within the government, and not hiring an outside consultant from some think tank or some other source.

Rep. Berg: Again we need to understand that the role of the legislature is really going to be no different whether we receive this study and then do our deliberations and decisions, or whether we say we are responsible to do the study and quite frankly from my perspective I don't know if we have people on Legislative Council that have the same background in insurance as we do in

the Insurance Commissioners Office and so I think to expedite this study in making sure that we get a full and thorough review of everything it would be beneficial to have that responsibility lay with the Insurance Commissioner until the study is completed.

Rep. Aarsvold: I have to admit that a red flag jumped out of me with your introductory remarks when you said there is a need for somewhat of an independent study, can you clarify that for me?

Rep. Berg: I think the issue needs to be looked at strictly on the facts, we have a number of states that have converted from a monopolistic system to a private system, there are a whole host of issues out there and again from my perspective I think we need a study that does not come from an entity that might be threatened with going private or might be encouraged by going private.

Rep. Aarsvold: I certainly agree with you, but in your introductory comments you said "somewhat" of an independent study. Response was that written testimony said something different.

Rep. Glassheim: The Insurance Commissioner is an elected official and elected on a party ballot etc.; I'm not concerned about \$150,000 being spent on this kind of study, I support what you're intending, but I wonder if that money would most neutrally be positioned by giving it to the Legislative Council to arrange for independent or external review, which is what I think were looking for and Legislative Council staff is really neutral.

Rep. Berg: It really doesn't make a difference to me on how we do it, it just seems from my experience it seemed to be very efficient to have the Insurance Commissioner charged with this task, and work with other Insurance Commissioners and gather the resources and then that report would be submitted to the interim committee while we still have nine months to work on the issue.

Rep. Timm: Any other questions? Any other testimony in support of HB1419?

Mr. Paul Kramer, Workers Compensation : I apologize for not having any written testimony.

I found about the hearing at about 8:55 this morning and we will send some up, we have some that we presented to Rep. Berg's committee earlier and we will send that up to this committee.

What I can say is that the Board has unanimously acted to support this bill and the study of privatization of Workers Compensation and the \$150,000 appropriation. They have not taken a position on it, and contrary to what you may have read in the paper the official position is on the Study, it is not on privatization itself and what the board would like to do is have the study done so that like Rep. Berg mentioned all the facts can be brought out and an informed decision can be made by the next legislative assembly. The \$150,000 amount was arrived at basically because that is what we paid for our last performance evaluation.

Rep. Glassheim: Is there some national association of Workers Compensation executives which might be contracted with or would have significant knowledge already in this field and would not be starting from scratch?

Kramer: There is an association that we belong to that is called the American Association of State Compensation Insurance Funds, and what they are is the state fund of multiple states and some are in a competitive system and some are not, we could utilize their resources as best that we could but there would also be the need to hire outside consultants that would do some of the work on this.

Rep. Glassheim: They don't have people who are involved in private sector competitive workers compensation situations, there only state funds?

Kramer: They are state funds, but some of them are in states where there are private insurers that they compete with.

Rep. Wentz: I understand that an outside consulting group has done a study of the North Dakota Workers Compensation, is it the Hays report? Is this a part of that study? Did they make a recommendation?

Kramer: What the Hays group did was our last performance evaluation. And a lot of their recommendations were geared at looking at this topic and some of them suggested that if you were in a competitive situation that these would be good things to implement.

Rep. Skarphol: There has been some discussion about the fact that there are some monopolistic states that have gone to competitive environments, are there any of those that have similar demographics to North Dakota, the most recent one is Nevada and I wouldn't classify that as similar in any way shape or form because of the difference in industries.

Kramer: Nevada is the most recent one, Arizona I think was in the 1950's that it switched, so the one current one that we have to look at is Nevada and demographic wise its like night and day difference between Nevada and North Dakota

Rep. Carlisle: If we had an interim study, the Insurance Commissioner has got the NAIC, we would have all the services of NCSL and CSG to provide a lot of the information.

Kramer: The boards position was on a study, not on who is going to conduct the study, so I guess the comments I'll make on this would be fairly personal and not any position of the board because they have not taken one on that.

Rep. Skarphol: Regarding the states that have shifted, was there any effect on the reserves in the State fund.

Karmer: Nevada is the only one who has done it recently and there was some question down there of being over reserved and who had the right to those reserves, that when an employer would opt out, because what we do is , when we get claims we have to set up a reserve because

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House Appropriations Committee

Bill/Resolution Number HB1419

Hearing Date February 14, 2001

some of the claims go out 20 or 30 years, so we make have an investment portfolio that is worth about \$850 million dollars.

Rep. Timm: Paul, you said in Nevada the state was considered liable ?

Kramer: Yes.

Rep. Timm: Any other questions of Mr. Kramer? Any other testimony in support of HB1419?

Any opposition?

House Appropriations closed the hearing on HB1419.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1419A

House Appropriations Committee

☐ Conference Committee

Hearing Date **February 14, 2001**

Tape Number	Side A	Side B	Meter #
1		x	4538 - 4900
Committee Clerk Signature <i>Z. Z. Danchev</i>			

Minutes:

HOUSE APPROPRIATIONS ACTION ON HB1419A.

Rep. Timm: Lets take action on this bill as it is still fresh in everyone's memory. Moved by Rep. Skarphol for a DO NOT PASS. Seconded by Rep. Byerly.

Rep. Skarphol: There is another piece of legislation in this process that has a study in it as well that was supported by the board, and this one is not supported by the board or endorsed by the board, I think it is more of an independent study that would be required by that piece of legislation and I think this one has some degree of baggage on it and I think it therefore be more appropriate that we just kill this one.

Rep. Timm: Any other committee discussion?

Rep. Koppleman: Just a question for Rep. Skarphol, does that other study include the monopolistic question or the private vs. Monopolistic.

Page 2

House Appropriations Committee

Bill/Resolution Number HB1419A

Hearing Date February 14, 2001

Rep. Skarphol: Absolutely. It includes a comprehensive study of the philosophy of possibly going to the privatized system but not recommending it.

Rep. Timm: Any other discussion? We have a motion for a DO NOT PASS. Roll Call vote will be taken. (13) YES (1) NO (7) absent and not voting. Motion passes. Rep. Skarphol will carry the bill to the floor.

End House Appropriation Action on HB1419A.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1419

House Appropriations Committee

☐ Conference Committee

Hearing Date February 20, 2001

Tape Number	Side A	Side B	Meter #
02-20-01 tape #1		3000 - 4244	
Committee Clerk Signature <i>Kathleen Hill</i>			

Minutes:

The committee was called to order, and opened committee work on HB 1419.

Chairman Timm: We have passed this bill out of committee already. We will have to reconsider our previous action. Moved by Rep. Byerly, and seconded by Rep. Carlisle. Voice vote to reconsider passed. The bill is back in committee.

Rep. Skarphol: Our previous action was Do Not Pass. Rep. Berg and I have been discussing this bill, and we have come to some compromise language that we are both satisfied in the form of an amendment that is being passed out, to do the study and leaves the funding of \$150,000 from Workers Comp in place. Moves to adopt the amendment 0201. Seconded by Rep. Byerly.

Rep. Gulleason: Looking at the working of the proposed study vs. the language of the bill put in, there does seem to be a difference of who is to do the study. The amendment says an industry expert, and the bill says an independent person. The way the language is structured it

makes me think that the study would be to support an anticipated assumption that it would not be good to have competition in that area.

Rep. Skarphol: We attempted in discussing this with the Legislative Council in drafting this to impress on them that we did not want a predetermined outcome in this study. That is not going to be acceptable. We want this study to be objective and focus on facts. We will wait for the report to give us some direction, so we are not wandering around in the dark.

Rep. Delzer: I don't have problems with the study. I have questions on the last line. It doesn't seem to put any legislation on this. Is this going to be something that comes to an interim committee who then decides if there is legislation, or just get rid of the word legislation?

Rep. Berg: Thinks the last sentence is just standard language. We would like though is the interim committee to review and challenge the report. The interim committee does not have to come out with legislation. If the report is such that no legislation is necessary, so be it.

Rep. Wald: Makes suggestions as to how it could be amended to do this. Rep. Skarphol also wants some other language change to report to the assembly.

Voice vote adopts the original motion to amend.

Rep. Wald: Moves to further amend. Rep. Delzer seconded.

Voice vote adopted the further amendment.

Rep. Wald: Moves DO PASS AS AMENDED. Seconded by Rep. Skarphol.

Vote on Do Pass as Amended: 16 yes, 5 no.

Rep. Skarphol is assigned to carry this bill to the floor.

Date: 2/14/01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1419A

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS

Motion Made By _____ Seconded
By _____

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman					
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleon		✓	Rep - Warner		
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniske					

Total (Yes) 13 No 1

Absent 7

Floor Assignment SKARPHOL

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 1:37 p.m.

Module No: HR-27-3365
Carrier: Skarphol
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1419: Appropriations Committee (Rep. Timm, Chairman) recommends DO NOT PASS
(13 YEAS, 1 NAY, 7 ABSENT AND NOT VOTING). HB 1419 was placed on the
Eleventh order on the calendar.

Date: 2-20-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1419

House APPROPRIATIONS

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken

to reconsider previous action
being back in committee

Motion Made By

Rep Byerly

Seconded
By

Rep Carlisle

Representatives	Yes	No	Representatives	Yes	No
Timtn - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gulleason			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniske					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

passed

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 1, replace "the insurance commissioner to perform a" with "a legislative council study of"

Page 1, line 2, remove "study"

Page 1, replace lines 4 through 13 with:

"SECTION 1. LEGISLATIVE COUNCIL STUDY OF WORKERS' COMPENSATION INSURANCE. The legislative council shall contract with an industry expert during the 2001-02 interim to conduct an independent study of the effects of competition on workers' compensation premiums, anticipated impacts on rates, service provided to injured workers, and coverage of small, medium, and large employers. The independent study must determine whether the state has a large enough economic base to support workers' compensation competition and the feasibility and desirability of allowing employers to obtain private insurance or be self-insured for purposes of workers' compensation. The legislative council shall report its recommendations, together with any legislation required to implement the recommendations to the fifty-eighth legislative assembly."

Page 1, line 16, replace "insurance commissioner" with "legislative council"

Page 1, line 17, after "insurance" insert "under section 1 of this Act"

Renumber accordingly

Date: 2-20-01
Roll Call Vote #: 7

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1419

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 10408.0201

Action Taken to adopt amendment

Motion Made By Rep. Skarphol Seconded By Rep. Byerly

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gulleeson			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniske					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Adopted

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 1, replace "the insurance commissioner to perform a" with "a legislative council study of"

Page 1, line 2, remove "study"

Page 1, replace lines 4 through 13 with:

"SECTION 1. LEGISLATIVE COUNCIL STUDY OF WORKERS' COMPENSATION INSURANCE. The legislative council shall contract with an industry expert during the 2001-02 Interim to conduct an independent study of the effects of competition on workers' compensation premiums, anticipated impacts on rates, service provided to injured workers, and coverage of small, medium, and large employers. The independent study must determine whether the state has a large enough economic base to support workers' compensation competition and the feasibility and desirability of allowing employers to obtain private insurance or be self-insured for purposes of workers' compensation. The legislative council shall report its recommendations to the fifty-eighth legislative assembly and to the workers compensation board of directors."

Page 1, line 16, replace "insurance commissioner" with "legislative council"

Page 1, line 17, after "insurance" insert "under section 1 of this Act"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

HOUSE - This Amendment provides that the Legislative Council instead of the Insurance Commissioner shall conduct a study of workers' compensation insurance during the 2001-02 Interim and report recommendations to the Fifty-eighth Legislative Assembly and the Workers Compensation Board of Directors.

Date: 2-20-01
Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1419

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 10408.0202

Action Taken to further amend

Motion Made By Rep Wald Seconded By Rep Delzer

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Guleson			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniske					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

adopted

Date: 2-20-01
Roll Call Vote #: 4

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1419

House APPROPRIATIONS

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number

10408.0202

Action Taken

DO PASS AS AMENDED

Motion Made By

Rep Wald

Seconded
By

Rep Skarphol

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold		✓	Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson		✓
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleson		✓	Rep - Warner		✓
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman		✓			
Rep - Kliniske	✓				

Total (Yes) 16 No 5

Absent 0

Floor Assignment Rep. Skarphol

If the vote is on an amendment, briefly indicate intent:

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1419

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1419

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 05, 2001.

Tape Number	Side A	Side B	Meter #
2	x		9.9 to 18.2
			46.1 to 49.4
Committee Clerk Signature <i>Doris E. Perez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on HB 1419 to provide for a legislative council study of workers' compensation insurance study; and to provide for an appropriation.

Bob Indvik, Vice-Chairman ND WCB, provided a brief description of the bill and the Board's recommendation. Written testimony attached.

Representative Rick Berg, District 45, co sponsor. Most states have a private workers' compensation insurance system. Many people think that because of the way the fund is now it shouldn't be changed. I am neither for or against going private but I think we need solid information to determine what truly is the right direction, long term, for workers compensation in ND. We need to look at premiums, how it will affect injured workers, whether ND has large enough economic base, and how will small employers be affected.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1419

Hearing Date March 05, 2001.

Representative Mark A Dosch, District 32, co sponsor. I don't have an answer for whether privatization is good or bad. This study will answer those questions.

Art Thompson, Public Relations Manager for ND Workers' Compensation, in support. Written testimony attached.

Chuck Peterson, GNDA. Written testimony attached.

No opposing testimony. Hearing concluded.

Tape 2-A- 46.1 to 49.4

Discussion held. **Senator Espegard**: Motion: do pass and rerefer to appropriations.

Senator Every: Second. Roll call vote: 7 yes; 0 no. Motion carried.

Floor assignment: **Senator Espegard**.

Date: March 05/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Senate Industry, Business and Labor

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do Pass + Refer to appropriations

Motion Made By

Senator Espgaard Seconded By

Sen Every

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen Espgaard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 5, 2001 12:39 p.m.

Module No: SR-37-4816
Carrier: Espegard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1419, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO PASS** and **BE REREFERRED** to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1419 was rereferred to the Appropriations Committee.

2001 SENATE APPROPRIATIONS

HB 1419


2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1419

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 20, 2001

Tape Number	Side A	Side B	Meter #
Tape #1		x	36.7 - 50.1
Tape #2	x		0.0-2.6
Committee Clerk Signature 			

Minutes:

Senator Nething opened the hearing on HB1419.

Representative Rick Berg, District 45, Fargo and one of the primary sponsors presented an overview of the proposed legislation. Perhaps it is time to review the possibility of privatization. Private or State agency, the control benefits will remain the same; covered under the Century Code (similar to the health system if going privatized route).

Senator Thane: Not opposed to study, but a concern is that in reality there would be a lose of legislative oversight?

Representative Berg: Reason for defining that. When the study is back -- question will be should there be competition --- we'd still have control. No need for oversight administration --- as in the health system, it would be maintained by the State---small control needed there.

Senator Andrist: Have fear if privatized, the move for cherry-picking. Statistics available to find out if clients felt left out ?

Representative Berg: Yes, anticipate lower premium costs by privatization -- competition may be good. If shift to other business, not so good---that's the question. Arizona has gone to privatization, could use that for comparison.

Art Thompson, Public Relations Manager for North Dakota Workers Compensation (NDWC) testified in support of Engrossed HB1419 (a copy of his written testimony is attached).

Senator Robinson: Spending a 150 thousand dollars to study -- when the feeling is that the answers are there? There are states such as Arizona that has done this, could get data results from them?

Art Thompson: Some answers are out there; there is a concern that smaller business could see a raise in minimum premiums -- bigger businesses paying a lesser premium.

Senator Robinson: But isn't that something an actuarial --- who we already have available to us -- could respond to?

Senator Heitkamp: Who, what consulting firm, out there could be contracted with that would be unbiased?

Art Thompson: Need to be careful when choosing consultant or consulting firm specializing in workers compensation arena. There are several, and the Legislative Council would be the responsible party to hire, we could provide names of individuals/firms that we are familiar with--but only suggest.

David Kemnitz (Lobbyist #127), North Dakota AFL-CIO testified in a neutral arena, very concerned about impact.

Senator Nething closed the hearing as no one requested time to testify, for, against, or neutral on HB1419.

Page 3
Senate Appropriations Committee
Bill/Resolution Number HB1419
Hearing Date March 20, 2001

March 20, 2001 Full Committee Action (Tape #2, Side A, Meter No. 5.5-50.7 - 6 of 7 bills)

Senator Nething reopened the hearing on HB1419. Committee members reviewed the bill, discussion followed. Senator Grindberg moved a DO PASS, seconded by Senator Holmberg.

Call for the vote. Roll Call Vote: 9 yes; 5 no; and 0 absent and not voting.

Floor assignment placed with previous committee carrier Senator Espegard.

Date: 5-22-01

Roll Call Vote #: _____

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1119

Senate Appropriations Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken As Passed

Motion Made By Senator Grindberg Seconded By Senator Holmberg

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindans		✓			
Harvey Tallackson	✓				
Larry J. Robinson		✓			
Steven W. Tomac		✓			
Joel C. Heitkamp		✓			
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist		✓			

Total Yes 9 No 5

Absent 0

Floor Assignment Senator R. Speigard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 20, 2001 12:41 p.m.

Module No: SR-48-6131
Carrier: Espegard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1419, as engrossed: Appropriations Committee (Sen. Nething, Chairman)
recommends **DO PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1419 was placed on the Fourteenth order on the calendar.

2001. TESTIMONY

HB 1419

House Bill No. 1419

**Fifty-Seventh Legislative Assembly
Before the House Industry, Business, & Labor Committee
January 30, 2001**

Testimony Regarding a Competition Study of Workers' Compensation

Good afternoon, Chairman Berg, members of the House Industry, Business, and Labor Committee:

My name is Paul Kramer, and I am the Executive Director and CEO of North Dakota Workers Compensation (NDWC). I am here today to testify in support of House Bill No. 1419. The NDWC Board of Directors unanimously supports this bill.

House Bill No. 1419 allocates \$150,000 from the workers' compensation fund to the Insurance Commissioner to study the effects of opening the state's workers' compensation system to competition. The amount is based on the cost of our last performance evaluation. Any unused funds would remain in our fund.

The NDWC Board of Directors has not yet taken a position on whether or not competition would be good for North Dakota businesses. This study would allow an independent review of the positives and negatives of competition.

The issue of competition or privatization, whichever you'd like to call it, is a topic that seems to be getting more attention as of late. The Bismarck Tribune ran an article about this topic on Sunday, January 21st. I'd like to clarify some misinformation in that article. It stated that employers would lose their "no-fault" protection under a privatized system. That statement is not true. If North Dakota were to allow its business to shop around for workers' compensation coverage, employees still would not be allowed to sue their employer for workplace injuries. "No-fault" is an important overriding concept of any workers' compensation system.

Every two years, North Dakota Workers Compensation is required to complete an independent Performance Evaluation. The most recent evaluation was completed in September 2000, by The Hays Group of Minneapolis, Minnesota. The Hays Group is a leading, national, workers' compensation consultant. Its recommendations included several items that are consistent with how other states, which allow competition, conduct their business. The Hays Group did not specifically recommend that North Dakota complete a competition study, but in reading several of its recommendations it is implied that we should take a serious look at converting several of our policies and procedures to reflect industry standards which are primarily privatized.

Currently, there are five monopolistic state funds in the nation. They include North Dakota, Ohio, Washington, West Virginia and Wyoming. Nevada was the most recent state to convert from a monopolistic state fund to a competitive system. It did so in July of 1999. Is privatization the right thing for North Dakota? Will it ever be right for North Dakota? These are questions that will hopefully be answered by this study.

NDWC asks for your favorable consideration of House Bill No. 1419. I would be willing to try to answer any questions you may have at this time.

**House Bill No. 1153, 1161, 1162 and 1260
Engrossed House Bill No. 1419, and 1469
Re-engrossed House Bill No. 1281**

**Fifty-Seventh Legislative Assembly
Before the Senate Industry, Business and Labor Committee
March 5, 2001
Testimony Regarding Workers Compensation Legislation**

Good morning Chairman Mutch, members of the Senate Industry, Business, and Labor Committee:

My name is Bob Indvik, and I am the Vice-Chairman of the North Dakota Workers Compensation Board of Directors. I am also the Chairman of the Board's Legislative Committee. I am here this morning to testify regarding the Board's position on several pieces of legislation that will affect the state's workers' compensation system.

In the interest of time, I will provide you with a brief description of the bills you will be hearing this morning and tell you about the recommendations the Board made regarding each of the bills.

The first is House Bill No. 1153, which the Board supports. House Bill No. 1153 does a variety of things. It redefines "fee schedule". It prohibits an employer from requiring an employee to use personal leave during periods of work-related disability. It also allows NDWC to establish incentives for employers who hire previously injured workers in physically appropriate jobs. And it makes a claimant's social security number private and requires an employer to limit the people who have access to its employees' claim files.

The second is House Bill No. 1161. It would increase the awards given for Permanent Partial Impairments. This bill is a result of an independent PPI study that was mandated by the 56th Legislative Assembly. The Board agrees with the results of the study and supports the bill and its proposed amendment. House Bill No. 1161 would increase awards given for certain amputations and the loss of one eye. It would also adopt the 5th Edition of the AMA Guidelines. The proposed amendment to the bill would reduce the PPI award threshold from 16% to 11% as recommended by the study.

House Bill No. 1162 is also supported by the Board. It changes the supplementary benefit structure to provide for supplementary benefits to be paid to all death benefit recipients or to all permanently and totally disabled workers who have been receiving benefits for an extended period of time.

House Bill No. 1260 would allow an employer with a deductible policy to keep 100% of the recovery in a third-party action if an injured worker and the Bureau chooses not to pursue the third-party for recovery of damages. This bill relates to a small number of employers, and it will not have an impact on rates or reserve levels. The Board supports House Bill No. 1260.

Re-engrossed House Bill No. 1281 would allow the Board to set the workers' compensation budget on an annual basis, and requires NDWC to report to the Legislative Assembly on how its funds were spent. The Board supports Re-engrossed House Bill No. 1281. It is a recommendation from our most recent performance evaluation. The Board believes the authority to set the workers' compensation budget annually would allow NDWC to keep up with industry trends, and to allow most contracted services to be brought in-house and reduce cost.

The Board supports Engrossed House Bill No. 1419. It allocates \$150,000 to the Legislative Council to contract with an industry expert to conduct a study of the effects of opening the state's workers' compensation system to competition. The Board has not taken a position on whether or not competition is appropriate for North Dakota. A study of the pros and cons of competition would be beneficial for the Board and ultimately, will help the Legislative Assembly make an informed decision on this subject.

Finally, the Board has taken a neutral position on Engrossed House Bill No. 1469. It creates exemptions for certain custom agriculture operations. The Board originally opposed this bill when it was introduced, but would have supported a study on the issue.

This concludes my testimony regarding the Board's position on the several pieces of legislation that you have before you this morning. I would encourage you to give favorable consideration to House Bill Numbers: 1153, 1161 with the proposed amendments, 1162, 1260, 1281, and 1419.

NDWC staff will provide you with more details about each of the bills and its effect on the North Dakota Workers Compensation system.

Engrossed House Bill No. 1419

**Fifty-Seventh Legislative Assembly
Before the Senate Industry, Business and Labor Committee
March 5, 2001**

Testimony Regarding a Competition Study of Workers' Compensation

Good morning, Chairman Mutch, members of the Senate Industry, Business and Labor Committee:

For the record, my name is Art Thompson, and I am the Public Relations Manager for North Dakota Workers Compensation (NDWC). I am here today to testify in support of Engrossed House Bill No. 1419. The NDWC Board of Directors unanimously supports this bill as amended.

Engrossed House Bill No. 1419 allocates \$150,000 from the workers' compensation fund to the Legislative Council to select and contract with an industry expert to study the effects of opening the state's workers' compensation system to competition. The amount is based on the cost of our last performance evaluation. Any unused funds would remain in the NDWC fund.

The NDWC Board of Directors has not taken a position on whether or not competition would be good for North Dakota businesses. This study would allow an independent review of the positives and negatives of competition.

The industry expert selected will be asked to provide analysis on a number of factors. Specifically, what effect competition would have on premiums, anticipated impact on rates, services provided to injured workers, and coverage of small, medium, and large employers. The study must also determine if North Dakota has a large enough economic base to support workers' compensation competition and the feasibility and desirability of allowing employers to obtain private insurance or be self-insured for the purpose of workers' compensation.

The results of the study will be presented to the 58th Legislative Assembly and the NDWC Board of Directors. After all the information has been gathered, the Legislative Assembly would be able to debate the issue and do what it thinks is right for the employers and employees of North Dakota.

Please keep in mind that if outside agencies are allowed to provide workers' compensation coverage those agencies would be required to act within the scope of the laws set forth by North Dakota lawmakers. Also, it would not mean employers would lose their no-fault protection. Employees would not be allowed to sue their employer for workplace injuries. "No-fault" is an important overriding concept of any workers' compensation system.

Every two years, North Dakota Workers Compensation is required to complete an independent Performance Evaluation. The most recent evaluation was completed in September 2000, by The Hays Group of Minneapolis, Minnesota. The Hays Group is a leading, national, workers' compensation consultant. Its recommendations included several items that are consistent with how other states, which allow competition, conduct their business. The Hays Group did not specifically recommend that North Dakota complete a competition study, but in reading several

of its recommendations it is implied that we should take a serious look at converting several of our policies and procedures to reflect industry standards which are primarily privatized.

Currently, there are five monopolistic states in the nation. They include North Dakota, Ohio, Washington, West Virginia and Wyoming. Nevada was the most recent state to convert from a monopolistic state fund to a competitive system. It did so in July of 1999. Is privatization the right thing for North Dakota? Will it ever be right for North Dakota? These are questions that will hopefully be answered by this study.

NDWC asks for your favorable consideration on Engrossed House Bill No. 1419. I would be willing to try to answer any questions you may have at this time.

3-5-01 STATEMENT BY CHUCK PETERSON, REPRESENTING GNDA,
REGARDING HB 1419 WORKER'S COMPENSATION LEGISLATION.

Chairman Mutch and members of the Senate Industry, Business, and Labor Committee. I am Chuck Peterson, a member of GNDA, and a North Dakota businessman. Thank you for the opportunity to provide testimony in support of HB 1419.

The Greater North Dakota Association is the voice of business and the principle advocate of positive change in North Dakota. As a member of GNDA we represent over 1000 business and professional organizations from all areas of North Dakota. GNDA is governed by a 25 member Board of Directors elected by our membership.

I also speak for the Associated General Contractors, the North Dakota Petroleum Council, the North Dakota Retail Petroleum Marketers Association, the North Dakota Motor Carriers Association, the Automobile Dealers and Implement Dealers Association, North Dakota Grocers Association, the Bismarck-Mandan Chamber of Commerce, and the North Dakota Hospitality Association.

We have reviewed HB 1419 and understand that this legislation will allocated \$150,000 for the use of the Insurance Commissioner to perform a worker's compensation study to determine the effects of opening the state worker's compensation system to Competition. We believe that there will be benefit from such a study and encourage a positive response by your committee.

Engrossed House Bill No. 1419

**Fifty-Seventh Legislative Assembly
Before the Senate Appropriations Committee
March 20, 2001**

Testimony Regarding a Competition Study of Workers' Compensation

Good morning, Chairman Nething, members of the Senate Appropriations Committee:

My name is Art Thompson, and I am the Public Relations Manager for North Dakota Workers Compensation (NDWC). I am here today to testify in support of Engrossed House Bill No. 1419. The NDWC Board of Directors unanimously supports this bill as amended.

Engrossed House Bill No. 1419 allocates \$150,000 from the workers' compensation fund to the Legislative Council to select and contract with an industry expert to study the effects of opening the state's workers' compensation system to competition. The amount is based on the cost of our last performance evaluation. Any unused funds would remain in the NDWC fund.

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