

FISCAL NOTE

Requested by Legislative Council

03/16/2001

Bill/Resolution No.:

Amendment to: HB 1162

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: Supplementary Benefit

BILL NO: HB 1162 w/ Senate Amendments

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 legislation changes the supplementary benefit structure to allow payment of supplementary benefits to death benefit recipients or permanently and totally disabled injured workers who have been receiving death or disability benefits for at least seven consecutive years.

The proposed amendments clarify existing language and result in no change to the fiscal impact for the bill as introduced.

FISCAL IMPACT: We understand that the proposed legislation will introduce two material changes to the current

benefit structure for supplementary benefits:

Seven-Year Waiting Period

The bill provides a seven-year period for establishing eligibility for supplementary benefits for permanent total disability and death claims effective on August 1, 2006. The change should not have an impact on prospective rate levels because the current benefit structure contemplates a seven-year waiting period for supplementary benefit claims with injury dates on or after August 1, 1999. However, reserve levels associated with prior claims will increase. Based on assumptions consistent with those underlying the June 30, 2000 reserve review completed by Pacific Actuarial Consultants (PAC), we believe that the proposed change will increase the Bureau's discounted liability for unpaid losses by approximately \$1 million to \$1.5 million.

Supplementary Benefit Structure

Supplementary benefit amounts will change in line with recommendations offered as part of the Interim Long Term Disability Study that was completed by independent claims consultants earlier this year. Two material changes will be introduced to the benefit structure for workers injured on or after August 1, 2001:

- Supplementary benefits will begin at seven years for all PTD and death claims.
- The formula used to establish supplementary benefit amounts will change to match more closely actual pre-injury wages.

We believe that the rate level impact of the change to the benefit structure will be less than 1%. Required reserve levels should not change because this aspect of the new benefit structure will not be applied to claims with injury dates prior to August 1, 2001.

DATE: March 19, 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.*

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Agency: ND Workers Compensation
Date 03/19/2001
Prepared: