

# FISCAL NOTE

Requested by Legislative Council

01/21/2003

Bill/Resolution No.: HB 1455

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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 2003 LEGISLATION SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Removing the 6-year statute of limitation on death claims

BILL NO: HB 1455

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 eliminates the six year statute of limitations so that death benefits will be payable if disability continues to the time of death and the death is a direct result of the work injury, "regardless of the date of death". Under current legislation, the surviving spouse of an injured worker will receive death benefits only if the worker dies within six years of injury and the death is a direct result of the work injury.

FISCAL IMPACT: The proposed legislation will increase future rate levels. Furthermore, we have interpreted the change as applying to all future deaths, regardless of date of injury, and thus, anticipate an impact on reserve levels. We were not able to develop a specific formal estimate of the cost of the proposed legislation because we do not have an appropriate base of experience to use in quantifying the ultimate effect of the change. The difficulty can be tied to the impossibility of estimating in advance the number of additional claims that will qualify for death benefits. Additionally, the fiscal note does not reflect increased litigation costs.

Rate Level Impact: We are currently estimating the number of married PTD recipients arising out of each fiscal accident year to be 20. At the current \$197,000 cap, the potential rate level impact would range anywhere from 0 to 2.5% on rate levels. At the

\$250,000 cap proposed in HB 1060, the potential rate level impact would range from 0 to 2.9%. Should the proposed legislation pass, a 1% increase in rate levels for claims arising out of this coming year is anticipated. We will evaluate this as we see more experience.

Additionally, NDWC will need to consider a prospective rate surcharge to fund the reserve increase that will hit as the proposed legislation retroactively increases benefits for claims arising out of prior years. Past premium charges did not contemplate this additional benefit.

Reserve Level Impact: At the existing \$197,000 cap, for every 5% (43 claims) of potential claims qualifying for death benefits (858 claims) the undiscounted reserve increase would be approximately \$5.25 million. The corresponding discounted reserve increase would be approximately \$1.8 million. At the \$250,000 cap proposed in HB 1060, for every 5% of potential claims qualifying for death benefits the undiscounted reserve increase would be approximately \$6.2 million, and the corresponding discounted reserve increase would be approximately \$2.1 million.

DATE: January 27, 2003

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:** NDWC  
**Date Prepared:** 01/27/2003