

Testimony

Presented to: **Interim Industry, Business & Labor Committee**

Presented by: **Dave MacIver, President
North Dakota Chamber of Commerce**

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Chairman Berg and members of the committee, my name is Dave MacIver. I am the President of the North Dakota Chamber of Commerce.

I appear before you today to voice the Chamber's support for the current structure of Workforce Safety & Insurance, as well as to emphasize the Chamber's commitment to providing injured workers with the treatment and compensation they deserve.

I want to start out by saying that the North Dakota Chamber strongly supports the current structure of WSI and believe the management of the agency should remain with the Board of Directors. The history of the agency shows us that the system works much more efficiently and effectively when politics is not a part of the equation. Before the inception of the Board, Workforce Safety was run by political appointees who typically had no expertise in workforce safety or the insurance industry. Between 1980 and 1997 the agency had 14 directors. As a result we witnessed double digit inflation in premiums and a depleted reserve fund. Under the management of the Board, which is appointed by the Governor, WSI has had only three executive directors since 1997. Under the guidance of the Board the agency was able to increase benefits, lower premiums, and since the reserve fund is fully funded, WSI paid more than \$170 million in dividends to premium payers over the last three years, with \$67.9 million of that paid in 2007.

A statistical analysis of WSI shows that it is very successful. Under the old system of governance, as of June 30, 1997, the percentage of claims processed within 14 days was 45%. Under board governance, as of June 30, 2007, that number was 55%. In 1997 medical bills processed within 30 days was 39% today that number is 95%. Over the past ten years the requests for litigation have dropped 57%, and today only 1% of all claims have filed requests for litigation. In that same time period, benefits have increased over \$20 million dollars.

Customer satisfaction is high also. Independently conducted surveys commissioned by WSI show that on a scale of 1-5 the injured worker customer satisfaction rate is currently at 4.28 and the employer customer satisfaction rate is at 4.05.

Safety programs instituted since 1997 have led to a reduction in the number of injuries. From 1997 to 2007 the total claims filed per 100 covered workers dropped 10.3%. Also during that time period the number of wage-loss claims filed per 100 covered employees dropped 34% .

The second major point I want to stress today is the North Dakota Chamber's support for injured workers. From 1997 through 2007 there have been 24 enhancements to workers compensation benefits. Eight of those benefit enhancements were enacted during the 2007 legislative session, and the North Dakota Chamber gave its full support to all of them. The Chamber's main function is business advocacy, and without healthy workers businesses suffer. Therefore, if we are going to be effective advocates for our members we must also work for the benefits that the workers of this state need and deserve.

I know and our members know that the people making up this state's workforce are immensely important to the success of each and every business in this state. If injured workers are denied proper medical care or proper compensation for their injuries it is not only the workers that suffer, but business also.

The final point I wish to make today relates to this organization hosting meetings with state agencies and legislators, that some have questioned. I am very proud of the fact that we have developed relationships with many different agencies. We currently meet with a number of state agencies, such as WSI and Higher Education, and legislators on a regular basis to discuss issues that they see coming up and to share our thoughts and concerns. As I said earlier, the main function of the Chamber is business advocacy. The key to an effective citizen's legislature is to have open communications between agencies, legislators, citizen and professional groups. It is incumbent upon me, in my position, to engage in these meetings, and I am proud to say that these meetings plus others with state agencies will continue. I have also included, with my testimony, copies of fact sheets we requested from WSI showing the facts of where we were from 1997 thru 2007 under the board system.

It seems to me that to achieve these kinds of results during that time frame is exceptional. I am extremely concerned however that WSI is spending far too much time gathering data for numerous audits, and not enough time serving the needs of injured workers, especially at the executive level. Like any organization there are things that can be done better but I believe that it is time to eliminate the politics, and get on with the job of taking care of the injured worker. That concludes my prepared testimony. I will stand for any questions the committee has for me.

Workforce Safety & Insurance 1997 - 2007 Quick Facts

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Employer accounts	21,215	21,152	22,108	22,659	20,142	20,006	19,781	19,672	19,586	19,756	19,672
Earned premiums (\$millions)¹	\$125.8	\$121.9	\$112.4	\$112.1	\$99.0	\$93.1	\$89.6	\$96.8	\$108.4	\$121.6	\$128.1
Fund surplus, with applicable discount on liabilities (\$millions)^{2, 5}	\$38.1	\$76.3	\$251.1	\$332.9	\$332.6	\$341.1	\$337.4	\$403.7	\$421.0	\$428.8	\$466.8
Restricted surplus, based on 2005 legislation (\$millions)³	\$38.1	\$76.3	\$203.5	\$217.2	\$224.4	\$218.3	\$252.0	\$263.7	\$272.2	\$274.7	\$292.4
Declared Premium Dividends (\$millions)⁵	\$0.0	\$0.0	\$0.0	\$0.0	\$12.0	\$12.0	\$0.0	\$0.0	\$51.2	\$52.6	\$67.9
Investments (\$millions)	\$550	\$688	\$776	\$900	\$925	\$907	\$980	\$1,078	\$1,169	\$1,201	\$1,301
Investment returns	16.5%	15.8%	7.4%	12.2%	1.4%	-1.7%	9.0%	9.6%	7.3%	3.5%	10.3%
Average annual premium adjustment⁴	-0.7%	-7.0%	-6.8%	-2.6%	-11.3%	-5.7%	-0.7%	1.1%	7.9%	5.3%	3.0%
Covered workforce	280,969	287,801	292,868	296,663	299,714	301,913	301,777	304,287	311,200	318,240	326,100
Medical-only claims filed	17,482	17,576	17,194	17,399	17,727	17,396	16,311	16,722	17,424	19,268	19,022
Wage-loss claims filed	2,966	3,107	2,840	2,646	2,593	2,554	2,442	2,462	2,463	2,320	2,287
Total claims filed	20,448	20,683	20,034	20,045	20,320	19,950	18,753	19,184	19,887	21,588	21,309
Total claims filed per 100 Covered Workers	7.28	7.19	6.84	6.76	6.78	6.61	6.21	6.30	6.39	6.78	6.53
Wage-loss claims filed per 100 Covered Workers	1.06	1.08	0.97	0.89	0.87	0.85	0.81	0.81	0.79	0.73	0.70
General Administrative and ULAE Expenses (\$millions)	\$11.0	\$11.0	\$11.8	\$11.5	\$13.0	\$13.9	\$17.1	\$15.4	\$16.7	\$17.4	\$20.7
General Administrative Expense and ULAE Ratio	8.4%	8.7%	10.1%	10.3%	13.1%	14.9%	19.1%	15.9%	15.4%	14.3%	16.2%
Indemnity benefits paid (\$millions)	\$33.1	\$32.5	\$31.6	\$32.2	\$34.1	\$33.6	\$34.8	\$35.6	\$36.9	\$37.0	\$35.2
Medical benefits paid (\$millions)	\$33.2	\$29.7	\$27.8	\$32.7	\$36.5	\$37.9	\$40.3	\$45.7	\$47.8	\$42.4	\$48.0
Allocated Loss Adjustment Expense (ALAE) paid (\$millions)	na	\$7.6	\$8.2	\$6.5	\$5.9	\$3.9	\$4.2	\$4.3	\$3.8	\$3.3	\$3.6

Total paid benefits (\$millions)	\$66.3	\$69.8	\$67.6	\$71.4	\$76.5	\$75.4	\$79.3	\$85.6	\$88.5	\$82.7	\$86.8
Maximum weekly wage-loss benefit	\$387.0	\$402.0	\$417.0	\$480	\$497	\$516	\$537	\$555	\$577	\$624	\$653
Minimum weekly wage-loss benefit	\$233.0	\$241.0	\$251.0	\$262	\$271	\$282	\$293	\$303	\$315	\$341	\$356
Claims accepted/denied within 14 days	na	na	na	67%	72%	74%	74%	75%	72%	63%	55%
Claims Reported within 14 days	na	na	na	na	na	na	68%	72%	75%	83%	85%
Callers' average time on hold (seconds)	49	25	17	22	26	20	20	22	29	27	32
Litigation requests	537	464	325	226	184	209	201	170	224	209	231
Injured Worker Independent Customer Satisfaction Survey (1 to 5 scale)⁶	na	4.09	4.09	4.29	4.18	4.34	4.37	4.38	4.35	4.38	4.28
Employer Independent Customer Satisfaction Survey (1 to 5 scale)⁷	na	na	na	na	na	4.14	4.17	4.21	4.20	4.21	4.05
WSI employee turnover rate	10%	9%	9%	15%	10%	10%	5%	7%	8%	12%	10%

¹Reflects earned premiums before reinsurance and dividends

²Previously noted as total fund surplus - includes net assets designated for discount (6% discount 1999-2004, 5% discount thereafter)

³Previously noted as reserved fund surplus & contingency reserve.

⁴Rate Review - Appendix K, Exhibit 1, Column J

⁵Restated FYs 05 & 06 due to prior period adjustment

⁶Starting with FY07 the injured worker survey population includes claims 60-120 days post acceptance, closed claims, claims open > 1 year, and denied claims

⁷Starting with FY07 the employer survey questions were changed to address new programs in Employer Services