

FISCAL NOTE
Requested by Legislative Council
12/26/2006

Bill/Resolution No.: HB 1038

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 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.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The legislation provides funds for the purchase or adaptation of vehicles; provides an alternative additional benefit calculation; expands the population eligible for death benefits; expands the eligibility pool for WSI's loan fund; and shortens the supplementary benefit eligibility period.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

WORKFORCE SAFETY & INSURANCE
2007 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL NO: HB 1038

BILL DESCRIPTION: Legislative Workers Compensation Review Committee Benefit Bill

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, 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 provides funds for the purchase or adaptation of specially equipped motor vehicles for the catastrophically injured, not to exceed \$100,000 for the life of the claim; provides an alternative additional benefit payable (ABP) calculation for a select group of permanent total disability recipients whose injuries occurred prior to August 1, 1995; expands the population that is potentially eligible for death benefits to include the surviving spouses of the catastrophically injured if the disability has continued until time of death, the death occurs more than six years after the date of injury and resulted from the injury; expands the eligibility pool for WSI's revolving loan fund to include surviving spouses and dependent children of an injured employee whose death resulted from a compensable injury and sets a maximum interest rate of 1% below the Bank of North Dakota's prime interest rate; and shortens the period for supplementary benefit eligibility from seven years to three years for Permanent Total Disability claims subject to 2005 HB 1171 (Claims filed after December 31, 2005).

Reserve Level Impact: It is anticipated the proposed legislation in its entirety will increase discounted reserve levels in the range of \$4.25 to \$6.75 million.

Rate Level Impact: It is anticipated that the proposed legislation in its entirety will serve to increase future premium rate

levels between 1.5% and 2.0%.

Actuarial Reserve and Rate Level Impact detail by bill section is contained within the attached table.

DATE: January 8, 2007

Actuarial Impact Statement for 2007 HB 1038: Legislative Workers Compensation Review Committee Benefit Proposal

Section #	Description	Reserve Level Impact (Existing Claims)	Rate Level Impact (Future Claims)
1	Provides an allowance to fund for specially equipped motor vehicles or vehicle adaptations for the catastrophically injured. The allowance may not exceed \$100,000 for the life of the claim.	Although difficult to quantify, it is estimated that approximately half of the 44 known open catastrophic cases within the system may be in a position to utilize this type of allowance. Based on this estimate, it is anticipated the proposal would increase required discounted reserve levels by approximately \$1 million. Should other existing claims emerge to a catastrophic status, the estimate would increase accordingly.	Historically, WSI incurs approximately 3 to 5 claims per year that result in a catastrophic designation. Based on this assumption, the anticipated premium rate level impact would be less than 0.5% increase in statewide premium levels.
2	Provides an alternative additional benefit payable (abp) calculation upon abp eligibility for designated permanent total disability recipients that were injured prior to August 1, 1995 and had a recurrent disability after July 31, 1995.	The proposal would provide an alternative additional benefit payable (abp) calculation at time of abp eligibility for 41 known claims. The proposal would increase discounted reserve liabilities by approximately \$750,000.	Will result in no rate level impact as this proposal does not apply to future claims.
3	Expands the population that is potentially eligible for death benefits (lifetime maximum of \$250,000) to include the surviving spouses of the catastrophically injured as defined in statute if the disability has continued until time of death; the death occurs more than six years after the date of injury; and the death was a direct result of the work injury.	The number of known catastrophics that are active within our system is 44. Based on our known catastrophic database, approximately 60% are married and have the potential of having a surviving spouse. Based on these assumptions, we would anticipate an increase in discounted reserve levels of up to \$3.0 million dependent upon whether or not the death was a result of the work injury. The booked discounted reserve increase would be somewhere within this range.	Historically, WSI incurs approximately 3 to 5 claims per year that result in a catastrophic designation. Based on our known catastrophic database, approximately 60% are married and have the potential of having a surviving spouse. Based on these assumptions, the overall rate level impact would be less than 0.5% increase in overall premium rate levels.
4	Broadens the criteria for those potentially eligible for the educational revolving loan fund to include a surviving spouse or dependent child of an injured employee whose death resulted from a compensable injury. The proposal also sets a maximum interest rate of 1% below the Bank of North Dakota's prime interest rate.	No material impact on reserve levels is anticipated.	No material impact on premium rate levels is anticipated.
5	Shortens the period for supplementary benefit eligibility from 7 consecutive years to 3 years for Permanent Total Disability (PTD) claims subject to 2005 HB 1171 (applies to claims filed after December 31, 2005). HB 1171 provided for a more clear and concise definition of PTD which will allow for more expedient PTD determinations.	The proposal would apply to claims filed after December 31, 2005. The anticipated reserve level impact as of the anticipated effective date of this legislation (August 1, 2007) would be an increase in discounted reserve levels of approximately \$1.5 to \$2.0 million.	Currently, it is estimated that 40 Permanent Total Disability claims arise out of each injury year. Based on this assumption, the proposal will serve to increase overall premium rate levels between 1.0% and 1.5%.
	Overall Impact of Proposal	\$4.25 to \$6.75 million increase in discounted reserve levels.	1.5% to 2.0% increase in overall premium rate levels.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	John Halvorson	Agency:	WSI
Phone Number:	328-3760	Date Prepared:	01/08/2007