

FISCAL NOTE

Requested by Legislative Council

01/18/2005

Bill/Resolution No.: HB 1411

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 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.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.*

WORKFORCE SAFETY & INSURANCE

2005 LEGISLATION

SUMMARY OF ACTUARIAL INFORMATION

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

BILL NO: HB 1411

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 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 when the death occurs. Under current law, 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 changes proposed under the legislation are similar to those presented as HB 1455 two years ago. At that time we pointed out that ultimate costs associated with HB 1455 could be substantial, but we were not able to develop a specific formal estimate of the cost of the proposed legislation because we did 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 analysis did not reflect increased litigation costs.

Instead, we attempted to estimate the maximum probable impact of the legislation. If applied prospectively—that is, only covering future injuries, we estimated that the annual costs for HB 1455 could reach \$3 million. We did not attempt to update our estimates for HB 1411 because of the tight timeframe associated with the current request for a cost

estimate. Recent changes in the way permanent total disability claims are identified and resolved would likely increase the anticipated maximum costs by a material amount from our prior estimates. We assumed approximately 20 married PTD claims per year in our prior calculations. Current data suggests that 40 married PTD claims per year might represent a better estimate of future counts-possibly doubling our prior cost estimates.

If the proposed change is applied retroactively to prior claims, the reserve adjustment could be substantial. Our estimates in HB 1445 two years ago suggested at the \$250,000 cap, for every 5% (43 claims) of potential claims qualifying for death benefits (858) the undiscounted reserve increase would be approximately \$6.2 million. The current active PTD claim count is 980, of which most have been on disability for more than 6 years. Given the increase in the number that would be potentially eligible over the past two years, we would anticipate a sizable increase in the previous reserve estimate as well.

DATE: January 24, 2005

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: John Halvorson
Phone Number: 328-3760

Agency: WSI
Date Prepared: 01/24/2005