

FISCAL NOTE
Requested by Legislative Council
01/30/2019

Amendment to: HB 1247

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

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

see attached

- 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.*

see attached

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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: John Halvorson

Agency: WSI

Telephone: 328-6016

Date Prepared: 01/30/2019

**WORKFORCE SAFETY & INSURANCE
2019 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION**

BILL NO: Engrossed HB 1247

BILL DESCRIPTION: Minimum Premiums

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its consulting actuaries, The Burkhalter Group, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

Based on our understanding of the intent of the proposed engrossed legislation, it would establish that the minimum premium may not exceed 10% of total annual wages or \$100, whichever is higher.

FISCAL IMPACT: The proposed legislation would serve to reduce the minimum premium for select minimum premium accounts from the current \$250 to anywhere between \$100 and \$250 depending upon annual wages. Although not material to the fund, the costs would likely be absorbed by the remaining employer accounts not impacted by the proposed change.

DATE: January 30, 2019

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: HB 1247

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

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Counties			
Cities			
School Districts			
Townships			

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

see attached

- 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.*

see attached

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- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: John Halvorson

Agency: WSI

Telephone: 328-6016

Date Prepared: 01/14/2019

**WORKFORCE SAFETY & INSURANCE
2019 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION**

BILL NO: HB 1247

BILL DESCRIPTION: Minimum Premiums

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its consulting actuaries, The Burkhalter Group, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

Based on our understanding of the intent of the proposed legislation, it would establish that the minimum premium may not exceed 10% of total annual wages or \$50, whichever is higher.

FISCAL IMPACT: The proposed legislation would serve to reduce the minimum premium for select minimum premium accounts from the current \$250 to anywhere between \$50 and \$250 depending upon annual wages. Although not material to the fund, the costs would likely be absorbed by the remaining employer accounts not impacted by the proposed change.

DATE: January 14, 2019

2019 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1247

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Peace Garden Room, State Capitol

HB 1247
1/28/2019
31558

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Minimum premium payments.

Minutes:

Attachment 1

Chairman Keiser: Opens the hearing on HB 1247.

Dave Monson~District 10: He had \$450 worth of wages & because of the present minimums, it cost him \$250 for WSI premiums. This is for small employers & employees. I thought is it was a little excessive & I don't want WSI to run a deficit but \$50 might be a decent minimum.

Chairman Keiser: Is the constituent self-employed?

Dave Monson: Yes, he is. He had one employee that he hired for a few hours.

Chairman Keiser: Anyone else here to testify in support, opposition to HB 1247?

Barry Schumacher~Chief of Employer Services at WSI: Attachment 1.

5:55

Rep Adams: Is this \$250 per employee or per business?

Barry Schumacher: Per business, for a policy year.

Rep Adams: If I had one employer or 200 employees, it would be \$250?

Barry Schumacher: That's right.

Rep Richter: Small businesses are mandated to have this insurance. Then mandated to pay \$250, regardless of the size of their payroll, correct?

Barry Schumacher: That's correct.

Rep Richter: If I hire somebody for \$300, I have to pay you \$250 to have that employee to work for a day?

Barry Schumacher: To the extent for the 12 policy, that's correct, assuming that individual earns \$300 per week. That would be \$15,000 in wages. We use the \$15,000 times the applicable rate to determine what that premium is. If it's less than \$250, you then bring that premium up to the \$250.

Rep Richter: I talking about \$300 total. Isn't that the function of insurance is to pool things to make it affordable for those who may need it?

Barry Schumacher: That's what the minimum premium does. The cost of maintenance for a policy for a 12-month period is \$190.

Vice Chairman Lefor: ND ranks last in the cost for employers, correct?

Barry Schumacher: Correct.

Vice Chairman Lefor: We are talking about the premium, I earn \$300, I'm injured, what type of services cost factor could there possible be to that. If I'm injured, that's a liability to your department, what could that cost end up being?

Barry Schumacher: The minimum premium is entitled to the same benefits as a million-dollar policy.

Vice Chairman Lefor: The \$250 for \$45,000, is not a bad deal.

Rep Laning: Can you tell us how many \$250 minimum premium accounts WSI has?

Barry Schumacher: We have 24,000 active policies which there are 5,000 minimum premium accounts.

Rep D Ruby: The actuarial amount averaged out to \$190.

Barry Schumacher: \$281.

Rep D Ruby: That includes administration?

Barry Schumacher: That correct.

Rep D Ruby: The concern I have is we have no way of knowing how many employers just don't secure the coverage in that class?

Barry Schumacher: That could be correct.

Rep M Nelson: I assume these minimum payments are not eligible for the rebate that WSI does on premiums each year?

Barry Schumacher: They are eligible to participate in our safety programs to the extent that it creates a discount. The discount can't take them below the \$250 minimum premium.

Rep M Nelson: They can get their rebate but not below \$250?

Barry Schumacher: That's correct.

Chairman Keiser: Who can be exempt from coverage on the small groups?

Barry Schumacher: A sole proprietorship, you can opt into coverage.

Chairman Keiser: Kids?

Barry Schumacher: Up to the age of 22, opt into coverage.

Arik Spenser~ President & CEO of the GNDC: I find myself in opposition, which is unusual. We tend to like lower use for business. The decision like this, should be made through the rate hearing process.

WSI could look at that group of 5,000 minimum premium payers & look at how many who had a payroll less than \$500 for the year. It concerns me when we try to transfer the cost of one group of employers to another group employers without really digging down into the data. What is the impact of the cost transfer?

Chairman Keiser: Anyone else here to testify in opposition position, neutral? Closes the hearing. What are the wishes of the committee?

Rep D Ruby: Moves to adopt an amendment. Line 8, lineout 50 & put 100.

Rep Schauer: Second.

Voice vote, motion carried.

Chairman Keiser: What are the wishes of the committee?

Vice Chairman Lefor: Moves for a Do Not Pass as Amended.

Rep Bosch: Second.

Chairman Keiser: I oppose the amendment; the liability is there along with the risk.

Rep D Ruby: I agree with you overall but actuarial information & we know where it has been historically. At what point, how many people are not securing coverage & hiding that income. We may be losing some money because they are not filing. I'm going to support the bill.

Chairman Keiser: It's illegal to not have coverage. Therefore, we go to court & claim that money from that employer. Now the employer is really at risk for the whole thing.

Chairman Keiser: Further discussion?

Roll call was taken for a Do Not Pass as Amended on HB 1247 with 8 yes, 5 no, 1 absent & Rep C Johnson is the carrier.

DP 1/28/19

19.0705.01001
Title.02000

Adopted by the Industry, Business and Labor
Committee

January 28, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1247

Page 1, line 8, replace "fifty" with "one hundred"

Renumber accordingly

Date: Jan 28, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1247

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or Description: 19.0705.01001 title .02000

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions Reconsider _____

Motion Made by Rep Ruby Seconded By Rep Schauer

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Rep O'Brien		
Vice Chairman Lefor			Rep Richter		
Rep Bosch			Rep Ruby		
Rep C Johnson			Rep Schauer		
Rep Kasper			Rep Adams		
Rep Laning			Rep P Anderson		
Rep Louser			Rep M Nelson		

Total (Yes) _____ No _____

Absent _____

Floor Assignment voice vote - motion carried

line 8, line out 50 & put 100

Date: Jan 28, 2019

Roll Call Vote #: 2

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1247

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions Reconsider _____

Motion Made by Rep Lefor Seconded By Rep Bosch

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	x		Rep O'Brien	Ab	
Vice Chairman Lefor	x		Rep Richter	x	
Rep Bosch	x		Rep Ruby		x
Rep C Johnson	x		Rep Schauer		x
Rep Kasper		x	Rep Adams	x	
Rep Laning	x		Rep P Anderson		x
Rep Louser	x		Rep M Nelson		x

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep Johnson

REPORT OF STANDING COMMITTEE

HB 1247: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO NOT PASS (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1247 was
placed on the Sixth order on the calendar.

Page 1, line 8, replace "fifty" with "one hundred"

Renumber accordingly

2019 TESTIMONY

HB 1247

2019 House Bill No. 1247

Testimony Before the House Industry, Business and Labor Committee

Presented by Barry Schumacher, Chief of Employer Services

Workforce Safety and Insurance

January 28, 2019

Mr. Chairman and Members of the Committee:

My name is Barry Schumacher, Chief of Employer Services at WSI. I am here today to provide information regarding HB 1247. The WSI Board opposes this bill that proposes to alter the minimum premium calculation for employer accounts.

A minimum premium is a standard practice in the workers' compensation insurance industry. North Dakota utilizes a flat dollar minimum which is simple and easy for WSI policyholders to understand. The minimum premium is reviewed annually as part of WSI's annual rate review. Once a rate review is concluded a public hearing is held on statewide rate indications and any changes to minimum premium. North Dakota's current minimum premium is \$250 and has remained unchanged since 2005, in large part due to the stability in the workers' compensation rating environment over the last several years.

The calculation of workers' compensation premiums entails taking the total taxable payroll (payroll up to the statutory wage cap) times the applicable class rate per \$100 payroll which yields the amount of premium owed. In the event the calculation above yields a premium amount less than \$250, an employer is subject to the \$250 minimum for the policy year.

The purpose of the minimum premium charge is to cover the expenses associated with issuing and maintaining a policy along with the associated loss cost. A recent analysis by WSI's consulting actuaries indicated that the average cost of issuing a policy including loss costs for this group was \$281.

Based on our understanding of the intent of the proposed bill, HB 1247 would establish a minimum premium as the higher of 10% of total annual wages or \$50 with no regard to rate classification. Effectively, this would reduce premiums for certain minimum premium accounts.

As indicated in the fiscal note, the change would not be material to the overall fund, however, the costs would likely be absorbed by the remaining employer accounts not impacted by the change.

In conclusion, WSI sees the current minimum premium of \$250 as reasonable and it compares quite favorably to minimum premiums in other states.

This concludes my testimony and I would be happy to answer any questions you may have at this time.