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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 2/16/07 HB _____

SPONSOR SCORC

SHORT TITLE Self-Insured Group Reporting Requirements SB 490/SCORCS

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Corporations Committee substitute for Senate Bill 490 amends the Workers' Compensation Act to exempt group self-insurers from providing evidence of the net worth of all the group's members if the group's annual financial statement for the prior calendar year shows a surplus of at least one-third of its claim reserves and is not less than five million dollars (\$5,000,000). The bill also corrects grammatical content of the original act.

FISCAL IMPLICATIONS

No known fiscal impact to the Workers' Compensation Administration.

SIGNIFICANT ISSUES

At this time, group self-insurers are required to have a combined net worth of \$3 million for all its members. The requirement exists because the members share joint and several liabilities. Recently, the WCA passed a regulation requiring the groups to provide documentation establishing the combined net worth of all its members. The language contained in this amendment exempts some employers from that regulation. Verification of the net worth requirement is a crucial element in ensuring the financial solvency of a group self-insurer.

The bill provides that if a group had a surplus of at least one-third of its claim reserves and not

less than \$5 million minimum then the group shall not be required to provide evidence of the net worth of all of the group's members. The \$5 million minimum is greater than the initial requirement of \$3 million to set up a group self-insurer; which seems evidence enough of a group's solvency.

PERFORMANCE IMPLICATIONS

No significant impact to Workers' Compensation Administration, but the act does nullify a portion of a current regulation.

ADMINISTRATIVE IMPLICATIONS

The proposed new amendment to the Act might make the verification process a bit easier. Those groups who are exempted may not receive as much scrutiny as those who can't be exempted because they haven't met the \$5 million threshold.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None at this time.

TECHNICAL ISSUES

The Advisory Council on Workers' Compensation has not approved this bill.

It is unclear whether "a surplus of at least one-third of its claim reserve and not less than five million dollars (\$5,000,000)" is sufficient proof of solvency because WCA has not made an analysis such as this for self insured groups. The \$5 million threshold is greater than the initial requirement establishing self-insured groups.

OTHER SUBSTANTIVE ISSUES

None at this time.

ALTERNATIVES

None at this time.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

DL/mt