



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Revenue and Cost Trends Indicate Deficit in Volunteer Safety Workers' Compensation Fund in FY 2020–21

Summary

As directed by the North Carolina General Assembly's Joint Legislative Program Evaluation Oversight Committee, this evaluation examines the Volunteer Safety Workers' Compensation Fund. The General Assembly created the Fund in 1995 to provide workers' compensation benefits to emergency first responders for compensable injuries or deaths.

The Program Evaluation Division projects that, without an increase in the revenue base, annual Fund expenditures will exceed total assets in Fiscal Year 2020–21. Incrementally increasing member premiums would allow the Fund to meet its future financial obligations.

Statute limits the Department of Insurance's actuarial responsibility to evaluate the different sources of revenue needed to maintain Fund solvency. State law directs the department to determine the State's financial obligations to the Fund without considering other revenue sources.

The Volunteer Safety Workers' Compensation Board could enhance the Fund's cost-containment efforts by using a more data-driven approach. The board could realize cost savings in the areas of loss prevention, experience-rating premium surcharges, legal claims, and fraud by collecting more data and doing more sophisticated analysis of that data.

The statutory provision on minimum weekly compensation can result in injured volunteers earning more compensation than they were earning in their regular occupations, and volunteers can collect indemnity wages even if they are able to return to their regular occupations. The board does not analyze claim data to determine the frequency of these occurrences.

The board's Fund eligibility determinations do not conform with statute. Although statute specifies that a fire or rescue/EMS unit must be a volunteer unit to be eligible, the Fund currently covers some non-municipal departments staffed exclusively with paid personnel and some associations.

To address these findings, the General Assembly should

- direct the State Fire and Rescue Commission to increase annual member premium income to \$14.3 million by Fiscal Year 2017–18;
- modify the Department of Insurance's actuarial responsibilities with regard to the Fund;
- require the commission to direct the board to collect and track data on the Fund's cost-containment efforts and the effect of indemnity wage determinations and the minimum weekly compensation provision, as well as to design a model return-to-work program; and
- amend statute to clarify Fund eligibility requirements.