

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SCS Senate Bill 1185  
**SHORT TITLE:** Workers' Comp/Uninsured Employers  
**SPONSOR(S):** Senate Committee Substitute;  
original bill introduced by Senator Plyler

**FISCAL IMPACT:**   **Expenditures:**    **Increase (X)**       **Decrease ( )**  
                  **Revenues:**        **Increase (X)**       **Decrease ( )**  
                  **No Impact ( )**  
                  **No Estimate Available ( )**

**FUND AFFECTED:**   **General Fund ( )**   **Highway Fund ( )**   **Local Govt. (X)**  
                          **Other Funds (X)**   Uninsured Employers' Fund

**BILL SUMMARY:**    The bill creates a new fund known as the Uninsured Employers' Fund. This Fund consists of the proceeds from a tax levied on the net premium volume of all carriers who write workers compensation insurance in North Carolina, including self-insureds. For the 1994 tax year, the tax rate is 0.15%. For each tax year thereafter, the tax rate is 0.1%. The tax is suspended for the following calendar year if, on any December 31, the amount in the Fund less all known liabilities exceeds \$500,000. The Department of Insurance will collect the tax in the same manner as the insurance premiums tax under G.S. 105-228.5.

The Fund will be administered by the Industrial Commission. Disbursements will be made to employees who have a compensable injury under the Workers' Compensation Act, but whose employers failed to carry workers compensation insurance and do not have the financial means to provide the employee's compensation. In order for an employee to recover payment from the Fund, they must prove to the Industrial Commission that:

- (1) they suffered a compensable injury while employed by an employer subject to the Workers' Compensation Act,
- (2) the employee is entitled to workers' compensation,
- (3) the employer failed to obtain workers' compensation insurance, and
- (4) the employer is unable to pay the employee's compensation.

The Attorney General is given the authority to defend any claim against the Fund and take legal actions to recover damages from an employer on behalf of the Fund.

**EFFECTIVE DATE:** The tax imposed is effective for taxable years beginning on or after January 1, 1994. The tax suspension provision is effective March 15, 1995. Other sections are effective upon ratification, applying to claims in which the injury occurred on or after that date. However, for any claim in which the injury occurred on or after October 1, 1992, and for which the hearing is held before September 1, 1993, the claimant may file a claim or amend a claim on or before November 1, 1994, for recovery from the Uninsured Employers' Fund.

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:** Department of Insurance; Department of Commerce, Industrial Commission

**FISCAL IMPACT**

	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
<b>REVENUES:</b> (in \$ millions)					
<b>GENERAL FUND</b>					
<b>HIGHWAY FUND</b>					
<b>HIGHWAY TRUST FUND</b>					
<b>LOCAL</b>					
<b>OTHER</b>	\$1.8	\$1.4	\$1.5	\$1.6	\$1.8

**EXPENDITURES** Additional expenditures required by this bill will be minimal. The Department of Insurance, the Industrial Commission, and the Attorney General's Office can absorb these costs from within their existing budgets.

**POSITIONS:** None

**ASSUMPTIONS AND METHODOLOGY:** Revenue estimates were developed using the history of taxable premium volume from tax years 1989 through 1993. An estimated taxable premium volume for tax year 1994 of \$1.250 billion is used. The annual growth rate of taxable premiums is assumed to be 10%.

Anticipated expenditures from the Fund are based on the state of Virginia's expenditure history from their Uninsured Employer's Fund. Virginia is used as an example because it is a state with a similar population to North Carolina's. From 1989 through 1992, fiscal year expenditures ranged from \$1.1 million to \$1.6 million. This fiscal note has assumed that expenditures will not exceed \$1.5 million in each fiscal year.

**SOURCES OF DATA:** Department of Insurance; Department of Commerce, Industrial Commission

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION** 733-4910

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**APPROVED BY:** TOMC

**DATE:** June 13, 1994



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