

Members present: Chairman Banner
Mr. Bennett
Mr. Brady
Mr. Bremner
Mr. Fielding
Mr. Jeffrey
Mr. Rhoads
Mr. Robinson
Mr. Webb

Guests present: See attached list

Chairman Banner called the meeting to order at 3:04 p.m.

A.B. 84 - Permits self-insurance of workmen's compensation risks;
modifies administrative procedures.

Amendment No. 382 to A.B. 84 was received by the Committee.
Mr. Robinson moved to Amend and Do Pass and Re-Refer to the
Committee, seconded by Mr. Rhoads. Motion carried, with Mr. Jeffrey
not present at voting time.

A.B. 559 - Provides three-way system of industrial insurance
coverage including a state fund, self-insurance
and private enterprise.

Frank Damon, assistant corporate counsel, Mission Insurance
Co. of Los Angeles, stated his company specialized in writing
workmen's compensation insurance. He believes a competitive
workmen's compensation system in Nevada is essential and will
benefit the employers and employees in the state. He said that
in the last 10 years the labor force in Nevada increased 85%,
and workmen's compensation insurance rose almost 800%. Under a
competitive system there would be fewer at-work injuries through
comprehensive safety programs, loss control management, etc. He
also said private insurers provide the best of medical care and
vocational rehabilitation services. Employers would have a choice
to purchase workmen's compensation insurance through a state fund
or private carrier. A competitive system will provide for a more
efficient delivery system and claims handling. Mr. Damon also
said 44 states have a competitive workmen's compensation system.
Twelve allow for private carriers, self-insurance and state fund;
33 allow only for private carriers and self-insurance only.
Thirteen states and the District of Columbia have a premium volume
less than that of Nevada. (A copy of Mr. Damon's testimony is
attached as Exhibit "A".)

Mr. Damon said he had four other witnesses who would like
to testify. They are: Lee Protain, Hartford Insurance Co.;
Stan Sparks, Industrial Indemnity Co.; Bill Molmen, American
Ins. Assn.; and Tom Conneely, Alliance of American Insurers.

Assemblyman Rhoads inquired what he meant by premium volume less than that of Nevada. Mr. Damon replied the premium in Nevada is about \$90 million; that there are 13 states with less premium volume than Nevada.

Chairman Banner asked whether they had lower premium dollars because they were 3-way states, while others go to the state fund and self-insurance. Mr. Damon said some of them are two-way and some are 3-way, and some allow private carriers and self-insurance.

Assemblyman Jeffrey asked was it the reason they have less premium dollar in those states because of the self-insurance aspect. To which Mr. Damon answered there is no way he could reply to that, but said it could be any number of reasons.

Mr. Jeffrey then asked what would be the effect of the 3-way insurance to the premiums, and if there were any figures. Mr. Damon replied it would take at least three years of experience under a competitive system to ascertain whether it would increase or decrease; but felt it probably may increase in the beginning because of premium tax. He said a lot depends on the economy. He remarked that during the past 10 years the premium volume increased 350% in Arizona, 330% in California, 480% in Oregon and 800% in Nevada. The first three states are all under competitive systems.

Assemblyman Webb asked how large a market the private carriers have in Arizona. Mr. Damon replied 75%.

Mr. Webb went on to ask how they predicated the original premium when they first went into the market in Arizona, as compared to what is being paid now. He said he would like to have the nuts and bolts figures, if we are going to give this option to employers in the state; whether the option will save some money or increase the service.

Mr. Damon replied he could not say what the premium rates would be, but he was certain the services will be greatly improved by the private carriers. He believes the private carriers do a better job.

Chairman Banner inquired whether their rates are reviewed by the commissioner of insurance. Mr. Damon replied, yes.

Assemblyman Bremner asked whether any of these states have any kind of solvency pool that guarantees those insurance companies that may become financially unable. Mr. Damon replied every state in the western United States has insurance guarantee law.

Stanley Sparks, Industrial Indemnity Co. of San Francisco, stated his company has had 59 years of experience in writing workmen's compensation insurance. They emphasize loss control, safety programs and vocational rehabilitation. He said as soon as a claim is reported, industrial indemnity begins and coverage processed. Personal contact is made to the sick or injured person, or his family, usually within 48 hours. Medical care, frequently of specialized nature, is carefully recommended. Benefits are paid promptly. Psychological or emotional counseling may be provided. Communication is maintained with the doctor, the employer and the claimant, plus medical care and continuing support during the recovery process. He said they emphasize a person's ability, not disability, in determining work capability. Mr. Sparks concluded by saying they are willing to go into the Nevada market.

Assemblyman Webb remarked he had no question but would like to see NIC handle an injured person in 48 hours.

Lee Protain, Hartford Insurance of Reno, wanted to say that since they are already domiciled in Nevada, that they will be in the market for workmen's compensation when it becomes available.

Bill Molmen, American Insurance Association, informed the Committee that their firm got involved in this bill due to their support of a resolution during the last session calling for a study for alternatives to NIC. He said they volunteered to do a study for the Legislative subcommittee, and that a lot of the things in the bill came from his suggestions. Some of these were independent of competition such as breaking out the appeals system from the state fund. Another was to separate safety function under the OSHA program from NIC in order to let employers know that when they call an insurance company they are not calling enforcement people. They also recommended that the insurance commissioner have regulatory authority, that he be the one to determine what the proper and reasonable rate would be, rather than the NIC. In addition, they recommended that they be permitted to enter the state, if the employers are large enough and solvent enough to self-insure their losses.

Replying to Mr. Webb's question about services and rates, he said they are very much tied together. He said he agreed with Mr. Damon that there are no easy answers to what the rate would be under the competitive system. He explained further the advantages of competition, that rates would be more appropriate to losses; that it will give the employer some self-regulatory authority.

Tom Coneely, Alliance of American Insurers, said he was the other half of the volunteer team that consulted with the Interim subcommittee. He said he and Mr. Molmen co-authored the study (Bulletin No. 1). They have about 110 members and are very involved in writing workmen's compensation. Collectively, they write about 25% of workmen's compensation in the country.

Chairman Banner asked whether they were involved in Arizona and was this bill comparable to their legislation. Mr. Coneely replied there are a number of factors that do not make the situation exactly comparable.

Assemblyman Robinson recalled testimony made to the Interim subcommittee that private carriers pay premium packs the same as they would for other insurance. His concern was that the workman has equal protection under a private carrier that he has under NIC; and that the employer would have equal or less premium to pay. He said NIC relinquish tort liability, and would the private carriers relinquish it. Mr. Molmen replied affirmatively, saying that the employer is insulated under the bill.

Mr. Robinson pointed out that NIC has hearing officers to handle complaints or questions about claims or controversies. He asked who would adjudicate those --whether it will be an in-house insurance company, or will the workman have a hearing officer that he can go to? Mr. Molmen replied yes. He said basically all this bill does is take the state fund out of the NIC and create a separate entity of that state fund. The NIC will still have the same powers except for the insurance.

Mr. Damon explained that the complaints would be adjudicated independent of the insurance function. Concerning premium tax, he said the dividends would take care of that. The insurance companies would isolate those employers who have good services and records regarding safety.

Mr. Jeffrey pointed out what came out of the interim study was the fact that the small employer would have to pay a higher premium, while the larger employer would probably get a reduction.

Mr. Damon pointed out there is a provision for safety groups. If you have more than one employer and their occupation is substantially similar, to form a group for improving accident prevention and claims handling, they can form a group for workmen's compensation. The dividend and rating will be handled as a group rather than as a single employer.

Concerning the national rating bureau, Mr. Jeffrey asked how the rates compared with that of Nevada employers pay now.

Mr. Molmen replied there is no way to compare them at this point. To which Mr. Jeffrey said if the rate is set, there is no need to shop for insurance. He remarked what difference does it make if the insurance commissioner sets the rate, if you have the same price.

Mr. Robinson asked whether they go to each company separately in setting the rates, or do they go industry-wide. Mr. Damon replied the rate advisor collects all of the statistics from the companies that write in Nevada. They use all of the numbers that are available in the state, and base their rates and classifications from that experience.

Mr. Robinson asked whether commissions on sales are different from other types of insurance. Mr. Damon replied there is no flat answer, but said he understands the commissions are frequently negotiated with individual agents.

Mr. Bremner queried whether the premium would be a negotiable item. Mr. Damon said it could vary, depending on what is in the package.

Mr. Robinson asked the question if an employer decided to take private coverage could he buy heart coverage. Mr. Damon replied not under workmen's compensation policy. Only if that company is licensed to write that kind of insurance.

Mr. Bremner said that during the interim study there was concern expressed regarding the possibility of insurance industry gleaning off the better risks for the better category of business, and leaving the less desirable risks by insurance for NIC. He asked if there is any possibility of it happening in Nevada if the 3-way system is approved. Mr. Damon said what happens in other states is that the rates are the same. He said this is explained in Sec. 47, line 44 on page 13.

Mr. Rhoads asked that he explain how assigned risks work.

Mr. Damon explained if an employer goes to one to three companies, these insurance companies do not want to write the employer, then the employer would automatically have to be written in the assigned risk. There are two difference concepts, he said. One would be the exact pro-rata pool, which if the company wrote 10% of the market, they would be liable for 10% of the losses. Second concept is: a plan whereby the assigned risk will be given out to various companies.

Chairman Banner asked Insurance Commissioner Heath if he had any comments to make. Mr. Heath replied it would be best if he sat with the subcommittee, that he was available for that.

Dick Garrett, Farmers Insurance Group, replying to the question of how an individual employer would be approached, said they have a substantial commercial business in Nevada. In California they write the workmen's compensation in addition to the commercial business. It just becomes part of an overall policy. He said they are in support of the open competition and of the 3-way system legislation.

Larry Kees, executive vice president of the Nevada Independent Insurance Agents Association, said they favor passage of A.B. 559. He said they feel there are no disadvantages, but many advantages in providing the competitive workers compensation system in Nevada, among which are: (1) competition tends to seek the most efficient methods; (2) employers have a choice; (3) national firms with Nevada location could add their workers compensation premiums and losses to their national experience to maximize dividends. He cited the example of Oregon which had the monopolistic system up until 1965; that the system produced inefficiencies such as politically-inspired rates, poor benefits, slow and grudging claims payments. That the present system has produced greater and speedy payments.

Mr. Kees pointed out that A.B. 559 was developed after many months of research, to insure that it contains the best features of the laws of other states. If it passes, he said it should be a model for other states to follow.

Mr. Jeffrey asked whether private carriers can write the insurance at the premium level NIC has today. Mr. Kees replied apparently not, according to Mr. Molmen's views.

Mr. Jeffrey, referring back to the interim study, said the NIC administration cost was about 11%. The industry cost was running higher than that; adding the profit motive, the sub-committee concluded it is going to cost the employers -- especially the small employers -- quite a bit more money. The large employers in the state that had problems with the rates were pretty well taken care of if A.B. 84 passes, when they go self-insured. They felt at the time the cost to the small employer would be substantial.

Chuck King, Central Telephone Co., remarked they are in favor of any legislation that would provide them the opportunity to solicit the services of the private insurer, or become self-insured. Citing his reasons for deviating from NIC, he quoted figures from statistics he collect during the last six years. In 1973 they had 1900 employees, paid premiums of \$99,784 and received benefits of \$33,400, or 34% in paid claims. In 1978, for 1991 employees, they paid \$287,653 and obtained benefits of \$52,660, or 18%. Averaging the 6-year period, there was an increase of 187%, he said. Direct benefits obtained during the period amounted to \$331,109 -- or 27% was used to pay premiums. They feel it is too high to pay for administrative costs.

Chairman Banner asked Mr. King whether they had any proposed amendments that might make the bill better. Mr. King replied he wrote down some proposals that he will submit to the subcommittee.

Roland Oakes, representing the Associated General Contractors, stated their reasons for opposing the bill was that there had been three studies made of NIC operations; that all these studies had one thing in common: they recommend against private insurance at the present time in Nevada, because it would cost more money. He said Oregon is not a good comparison. He compared the rates in Oregon and Nevada, saying benefits in Oregon are lower than Nevada. He said there is no competition such as the insurance industry claims, because there is a rating bureau in New York that sets the rates. He said they are satisfied that the rates are low and benefits high.

John Hunter, attorney for Montgomery Ward in Oakland, California said he is testifying insupport of the bill for reasons given by the insurance industry. He said this program will add to more efficient claims delivery. The insurance portion will allow them to coordinate safety programs. He feels the proposal will take nothing from the meployees, but it gives the employers the option. He thinks they can save money under the provisions of A.B. 559.

Chairman Banner asked whether they had any records of long range loss ratio in workmen's compensation in Nevada. Mr. Hunter replied they don't follow the files in Nevada.

Claude Evans, Nevada State AFL-CIO, remarked they are in agreement with Associated General Contractors, saying they are opposed to A.B. 559. Everywhere he had talked to in the states that had the 3-way system, he found it cost more money for the benefits received. He submitted a copy of a paper on workers' compensation costs submitted by the New York AFL-CIO to the N.Y. state insurance department. (A copy of this report is filed with the Committee Chairman.) Mr. Evans also quoted a Washington state labor council report, showing cost advantages to employers. A copy of this report is attached to these minutes as Exhibit "B".

Mr. Jeffrey asked Mr. Evans if there were any studies done on the benefit and rate levels comparing the Nevada system nationwide. Mr. Evans said when he was with the Commission in 1971 we were 40th in the nation on benefit structure. He said now, according to NIC, we are about 6th or 7th, saying there has been tremendous strides made.

Jim Carey, Stanford Research Institute, read a summary of his report recommending legislation to permit qualified employers to self-insure. Some conclusions to the recommendation are as follows: (1) private insurance is neither desirable nor necessary at the present time; improvements in the system should continue;

(2) improve the existing system to accommodate self-insured; that a target date be established for which self-insurance would be permitted, that this should be between April 1980 and October 1980. He also said OSHA should be completely separated from the workmens' compensation system. He concluded by saying the SRI report is being printed and should be available very soon.

Mr. Carey claimed there is no way the private carriers can perform services better than NIC. Comparing what it costs NIC versus private carriers, for every \$100,000 benefits that are paid out under NIC, cost to the employer is \$104.53. Cost under private carriers would be about \$126.43 cents per \$100,000 benefits. He said these figures are contained in Table I, item VI, on page 3 of the report. He said they concluded that there would be no one who would experience a less than 10% increase in cost.

Chairman Banner asked Mr. Carey who paid for the report. He replied it was paid by the NIC, as requested by the Governor's Labor and Management Advisory Board.

Mr. Bennett, referring to Mr. Carey's remark that it will cost plenty at this time, asked if it would be cheaper in the future. He replied there are actually no standards now where you can measure performance of private carriers.

Mr. Jeffrey remarked that the complaints being received are addressed more to the law than the NIC. NIC pays what the law allows, but if the law is not right, that something should be done about it.

Chairman Banner expressed his disappointment in that no one reviewed the particular account he had as an example, referring to a Clark County account, even after he talked to some people about it.

Mr. Robinson inquired whether the SRI is connected with the Stanford University. Mr. Carey said they were at one point, but now they are a non-profit organization run by a board of trustees. He explained one third of income is from commercial accounts and two-thirds are from government agencies.

Mr. Rhoads asked if he knew who were on the NIC advisory commission. Mr. Carey replied he knew who they were because they met with them several times. These are five members representing labor, and five representing management. Mr. Rhoads then asked whether any of them were present today to testify for or against the bill. Mr. Carey said two of them did testify.

Chairman Banner appointed the following subcommittee to work with the insurance commissioner on the bill. They are: Assemblymen Robinson, Bennet and Brady; N. C. Anthonisen of Summa Corp.; Charles King, Central Telephone Co., and Mark Solomon, Hilton Hotel.

There being no further discussion, the meeting adjourned at 5:08 p.m.

Respectfully submitted,

Sylvia Mays
Sylvia Mays
Assembly Attache

60th NEVADA LEGISLATURE

ASSEMBLY LABOR & MANAGEMENT COMMITTEE

LEGISLATION ACTION

DATE 3-27-79

SUBJECT AB 84 - Permits self-insurance of workmen's compensation risks; modifies administrative procedures.

MOTION: Amend and re-refer to Labor & Management Committee

Do Pass: As Amended Indefinitely Postpone _____ Reconsider _____

Moved By Robinson Seconded By Rhoads

AMENDMENT: Recommend to amend and Do Pass and re-refer to committee.

Moved By _____ Seconded By _____

AMENDMENT: _____

Moved BY _____ Seconded By _____

MOTION

AMEND

AMEND

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>		
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	
BANNER	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
BENNETT	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
BRADY	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
BREMNER	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
FIELDING	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
JEFFREY	_____	not present at voting time					_____
ROBINSON	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
RHOADS	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
WEBB	<input checked="" type="checkbox"/>	_____	_____	_____	_____	_____	
TALLY:	_____	_____	_____	_____	_____	_____	

ORIGINAL MOTION: Passed Defeated _____ Withdrawn _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

AMENDED & PASSED _____ AMENDED & DEFEATED _____

Attached to Minutes 3-27-79

TESTIMONY BEFORE THE ASSEMBLY
HOUSE COMMITTEE ON LABOR AND
MANAGEMENT

MARCH 27, 1979

FRANK DAMON

MISSION INSURANCE COMPANY

MR. CHAIRMAN AND MEMBERS, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE THIS AFTERNOON. MY NAME IS FRANK DAMON AND I AM ASSISTANT CORPORATE COUNSEL TO MISSION INSURANCE COMPANY, A WHOLLY OWNED SUBSIDIARY OF MISSION INSURANCE GROUP. MY COMPANY IS HEADQUARTED IN LOS ANGELES AND WE ARE ONE OF THE MAJOR COMMERCIAL PROPERTY AND CASUALTY INSURERS IN THE WESTERN UNITED STATES. WE SPECIALIZE IN WRITING WORKMENS' COMPENSATION INSURANCE AND WE ARE THE LEADING PRIVATE COMPENSATION INSURER IN ARIZONA AND THE 5TH LARGEST PRIVATE INSURER IN CALIFORNIA.

THERE HAVE BEEN MANY CRITICISMS OF THE PRESENT WORKMENS' COMPENSATION SYSTEM IN NEVADA. THE PRESENT SYSTEM DOES NOT ALLOW FOR COMPETITION. WE BELIEVE THAT A COMPETITIVE WORKMENS' COMPENSATION SYSTEM IN NEVADA IS ESSENTIAL AND WILL BENEFIT THE EMPLOYERS AND EMPLOYEES IN THIS STATE.

NEVADA IS THE FASTEST GROWING STATE IN THE CONTINENTAL UNITED STATES. BETWEEN THE YEARS 1967 THROUGH 1977, THE LABOR FORCE IN NEVADA INCREASED 85% FROM 166,000 EMPLOYEES TO OVER 300,000. (ALASKA IS THE ONLY STATE TO EXCEED THIS GROWTH.) TOTAL WAGES PAID TO EMPLOYEES DURING THAT PERIOD OF TIME IN NEVADA INCREASED BY APPROXIMATELY 100% AND THE PREMIUMS PAID FOR

WORKMENS' COMPENSATION INSURANCE ROSE ALMOST 800% DURING THIS SAME TIME PERIOD.

THE ESSENCE OF A VIABLE WORKMENS' COMPENSATION SYSTEM IS TO DELIVER BENEFITS TO INJURED EMPLOYEES ADEQUATELY, EFFICIENTLY AND WITHOUT UNDUE DELAY. PRIVATE INSURANCE CARRIERS WHO HAVE BEEN IN THE BUSINESS OF WRITING WORKMENS' COMPENSATION INSURANCE FOR MANY YEARS ARE ABLE TO EFFECTUATE A MORE EFFICIENT DELIVERY SYSTEM THAN THAT WHICH EXISTS IN NEVADA TODAY. EXPERIENCED CLAIMS PERSONNEL AND BENEFITS COUNSELORS ARE UTILIZED EXTENSIVELY IN ORDER TO CARRY OUT THIS OBJECTIVE. IT OBVIOUSLY IS IN THE BEST INTERESTS OF THE INJURED EMPLOYEE, HIS EMPLOYER, AND THE INSURANCE CARRIER TO DO SO, AND, THROUGH THEIR YEARS OF EXPERIENCE IN COMPETITIVE JURISDICTIONS, MORE EFFICIENT DELIVERY SYSTEMS HAVE BEEN DEVELOPED.

THERE WOULD BE FEWER AT-WORK INJURIES THROUGH BETTER AND MORE COMPREHENSIVE SAFETY ENGINEERING AND LOSS CONTROL SERVICES WHICH WOULD BE PROVIDED BY PRIVATE INSURANCE CARRIERS UNDER A COMPETITIVE SYSTEM. INSURANCE CARRIERS IN OTHER STATES HAVE DEVELOPED EXCELLENT SAFETY PROGRAMS AND VERY SOPHISTICATED TECHNIQUES TO ASSIST EMPLOYERS IN PROVIDING SAFER PLACES TO WORK FOR THEIR EMPLOYEES. SAFETY PERSONNEL REGULARLY VISIT, CONSULT AND ADVISE EMPLOYERS ON THE IMPORTANCE OF SAFETY AND HOW TO ACHIEVE A SAFE ENVIRONMENT FOR THEIR EMPLOYEES. VIDEOTAPES, FORMALIZED TRAINING PROGRAMS, LOSS CONTROL MANAGEMENT SERVICES, CERTIFIED INDUSTRIAL HYGIENISTS AND LABORATORIES ARE BUT SOME OF THE SERVICES EMPLOYERS RECEIVE UNDER A COMPETITIVE SYSTEM. THIS IS A KEY ELEMENT OF ANY PRIVATE WORKMENS' COMPENSATION INSURANCE PROGRAM AND NATIONALLY HAS RESULTED IN SUBSTANTIALLY FEWER ON-THE-JOB INJURIES. WE FEEL THAT THE PRIVATE SECTOR CAN DO A BETTER JOB WITH

SAFETY ENGINEERING THAN THE PRESENT SYSTEM IN NEVADA AFFORDS BECAUSE OF ITS FACILITIES, CAPABILITIES AND YEARS OF STUDY AND EXPERIENCE IN OTHER JURISDICTIONS.

PRIVATE INSURERS PROVIDE THE BEST OF MEDICAL CARE AND VOCATIONAL REHABILITATION SERVICES WHENEVER NECESSARY. NEW MEDICAL TECHNIQUES AND VOCATIONAL REHABILITATION CONCEPTS ARE CONSTANTLY BEING TRIED BY PRIVATE INSURANCE CARRIERS IN ORDER TO CURE THE INJURED EMPLOYEES FROM THE EFFECTS OF THEIR ON-THE-JOB INJURIES.

A COMPETITIVE WORKMENS' COMPENSATION SYSTEM IN NEVADA WOULD ALLOW EMPLOYERS, WHO PURCHASE INSURANCE OTHER THAN WORKMENS' COMPENSATION (SUCH AS FIRE AND LIABILITY), TO BE ABLE TO PURCHASE ALL OF THEIR INSURANCE IN A PACKAGE FORM. THIS WILL ENABLE THEM TO LOWER THEIR INSURANCE COSTS, SUCH AS INSPECTIONS, AUDITS, SAFETY ENGINEERING AND OTHER SERVICES, WHICH MAY THEN BE RENDERED AT THE SAME TIME FOR ALL OF THE VARIOUS KINDS OF INSURANCE THAT THE EMPLOYER IS PURCHASING. IF THE EMPLOYER DID, HOWEVER, WISH TO PURCHASE WORKMENS' COMPENSATION INSURANCE THROUGH A STATE FUND, HE WOULD STILL BE ABLE TO DO SO. HE AT LEAST WOULD BE GIVEN A FREEDOM OF CHOICE UNDER A COMPETITIVE SYSTEM.

UNDER A COMPETITIVE SYSTEM, A PREMIUM TAX WOULD BE LEVIED ON ALL WORKMENS' COMPENSATION INSURANCE PREMIUMS WRITTEN IN THE STATE OF NEVADA. UNDER THE PRESENT SYSTEM, NO PREMIUM TAX IS CHARGED. DURING THE PRESENT YEAR IT IS ESTIMATED THAT THE WORKMENS' COMPENSATION PREMIUM IS APPROXIMATELY \$90 MILLION. IF A 2% TAX WERE LEVIED ON THIS AMOUNT, IT WOULD RAISE AN ADDITIONAL \$1.8 MILLION IN REVENUE TO THE STATE OF NEVADA.

UNDER THE PRESENT SYSTEM, THERE IS NO REGULATION OF WORKMENS' COMPENSATION INSURANCE BY A STATE AGENCY, AS THE ONLY WORKMENS' COMPENSATION INSURER IS AN ARM OF THE STATE. UNDER A COMPETITIVE SYSTEM, PRIVATE CARRIERS, SELF-INSURERS, AND A STATE FUND WOULD BE REGULATED BY THE STATE DEPARTMENT OF INSURANCE, WHICH HAS THE REQUISITE LAWS TO PROTECT POLICY HOLDERS AND INJURED EMPLOYEES BY SAFEGUARDING AGAINST THE INSOLVENCY OF INSURANCE CARRIERS. PRESENTLY POLICY HOLDERS AND INJURED EMPLOYEES DO NOT HAVE THIS PROTECTION AS THE WORKMENS' COMPENSATION SYSTEM IN NEVADA IS COMPLETELY UNREGULATED.

UNDER THE PRESENT SYSTEM, THERE IS ONLY ONE SOURCE OF WORKMENS' COMPENSATION INSURANCE IN THE STATE OF NEVADA. IN LIGHT OF NEVADA'S PHENOMENAL GROWTH RATE ALONG WITH ITS DRAMATIC INCREASE IN THE NUMBER OF WORKING MEN AND WOMEN, ONLY ONE SOURCE OF WORKMENS' COMPENSATION INSURANCE IS NOT SUFFICIENT. THE EFFICIENCY AND ADEQUACY OF SUCH A SYSTEM, IN THE LONG RUN, IS HIGHLY SUSPECT AND TO "PLACE ALL YOUR EGGS IN ONE BASKET" IS NOT IN THE BEST INTERESTS OF THE EMPLOYEES AND EMPLOYERS OF THE STATE OF NEVADA. IT IS QUESTIONABLE WHETHER OR NOT THE PRESENT SYSTEM WOULD BE ABLE TO HANDLE THE CAPACITY THAT WILL BE REQUIRED OF IT IN THE ENSUING YEARS TO COME. A COMPETITIVE SYSTEM WOULD PROVIDE FOR MUCH GREATER INSURANCE CAPACITY AND FLEXIBILITY WHICH IS NEEDED TODAY.

FORTY-FOUR STATES AND THE DISTRICT OF COLUMBIA HAVE A COMPETITIVE WORKMENS' COMPENSATION SYSTEM. OF THESE, TWELVE (12) ALLOW FOR PRIVATE CARRIERS, SELF-INSURANCE AND A STATE FUND AND THIRTY-THREE (33) ALLOW ONLY FOR PRIVATE CARRIERS AND SELF-INSURANCE ONLY--NO STATE FUNDS. THIRTEEN (13)

STATES AND THE DISTRICT OF COLUMBIA HAVE A PREMIUM VOLUME LESS THAN THAT OF NEVADA. THESE JURISDICTIONS ALSO HAVE COMPETITIVE WORKMENS' COMPENSATION SYSTEMS PRIVATE INSURANCE CARRIERS WHO SPECIALIZE AND HAVE SPECIALIZED IN PROVIDING WORKMENS' COMPENSATION INSURANCE FOR YEARS HAVE BUILT IN INCENTIVES TO MAKE THE SYSTEM DO WHAT IT IS INTENDED TO DO -- PROVIDE BENEFITS RAPIDLY AND EFFICIENTLY TO WORKERS INJURED ON THE JOB, PROVIDE EFFECTIVE MEDICAL AND REHABILITATION SERVICES, AND TO DEVELOP AND ENCOURAGE SAFETY PROGRAMS. A COMPETITIVE SYSTEM IN NEVADA WOULD BENEFIT EMPLOYEES AND EMPLOYERS AS IT WILL PROVIDE A CHOICE FOR EMPLOYERS TO DECIDE WHERE AND FROM WHOM TO PURCHASE THEIR WORKMENS' COMPENSATION COVERAGE, PROVIDE FOR A MORE EFFICIENT DELIVERY SYSTEM AND CLAIMS HANDLING FOR INJURED EMPLOYEES, AND WILL PROVIDE FOR MORE SOPHISTICATED SERVICES TO EMPLOYERS AND EMPLOYEES THAN THEY RECEIVE UNDER THE PRESENT SYSTEM.

STATE FUND (6)

PRIVATE CARRIERS
SELF-INSURANCE AND
STATE FUND (12)PRIVATE CARRIERS
AND SELF-INSURANCE
(33)

Nevada
North Dakota
Ohio
Washington (and self-
insurance)
West Virginia
Wyoming

Arizona
California
Colorado
Idaho
Maryland
Michigan
Montana
New York
Oklahoma
Oregon
Pennsylvania
Utah

Alabama
Alaska
Connecticut
Delaware
Florida
Georgia
Hawaii
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Massachusetts
Minnesota
Mississippi
Missouri
Nebraska
New Hampshire
New Jersey
New Mexico
North Carolina
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Vermont
Virginia
Wisconsin
District of Columbia



January 3, 1979

Vol. 15, No. 1

COST ADVANTAGES TO EMPLOYERS:

NONPROFIT FUND GENERATES BUCKS FOR INJURED WORKERS

Washington employers continued last year to enjoy the substantial cost advantages of the state's nonprofit workers' compensation program. During fiscal 1978, every dollar paid in premiums generated \$1.06 to provide current and future benefits to injured workers. No private insurance carrier has ever produced comparable results.

Because the state fund is not operated for profit, income from its investments, year after year, not only covers administrative and related expenses in full, but provides money for benefits as well. Fiscal 1978 was a particularly strong year, Department of Labor and Industries figures show. Investment income of \$44.9 million was nearly twice the total expense figure of \$22.8 million. More than half the expenses were accounted for in administering the industrial insurance program. Other expenses included the costs of operating the state's rehabilitation center (\$2.1 million) and the University of Washington's environmental health center (\$944,000).

The cost of industrial insurance appeals -- an item repeatedly attacked by employers -- is a diminishing percentage of expenses. In fiscal 1978 it declined to seven-tenths of one per cent of premium income. This would seem a modest expenditure to assure equity for the injured workers -- and the employers -- who use the appeals procedure.

Of each premium dollar paid into the fund in 1978, employers paid only 76.5 cents. The other 23.5 cents came out of workers' pockets as their share in underwriting the medical aid and supplemental pension funds. In fiscal 1978, the workers' share totalled \$86.6 million.

Thus, squinted at through an employer's cost-conscious eye, an outlay of only 76.5 cents bought \$1.06 worth of protection for employees. In states where profit-motivated private insurance companies write the coverage, the figures are almost exactly reversed. There, of each \$1.00 in employer premiums, only about 65 cents reaches the injured employee.

Premium rates for both employers and employees were raised in two 37.5 per cent steps in 1977 to assure development of adequate reserves. Even greater premium rate increases have been adopted in other states in the last two or three years, due largely to inflation. (As an example of inflation's impact, doctors' rates have risen 142.7 per cent and hospital rates 133 per cent in this state in the past ten years.)

For 1979, the department has proposed premium rate increases in some risk classifications and decreases in others. These balance out so that the overall average premium rate for Accident and Medical Aid funds will remain unchanged, while payments into the Supplemental Pension Fund will be reduced slightly.

Washington's unique method of structuring workers' compensation premiums affords a little understood advantage to the state's employers. Every state except Washington expresses its premium rates as a fixed percentage of payroll. Under this system, escalation of costs is built in. Every wage increase triggers a corresponding premium increase. Even if rates remain constant, the dollar volume of premium payments rises year after year, automatically.

Existing premium rates covered a cost-of-living increase in injured workers' time-loss payments and another rise in doctor and hospital charges, as well as permitting a substantial reduction in fund deficits. Effective July 1, 1978, the maximum monthly time-loss benefit rose 7.3 per cent from \$708 to \$759.62, in line with the percentage of increase in the state's average monthly wage. The average (as distinguished from the maximum) monthly benefit rose 7.1 per cent last July, from \$582.63 to \$625.16. The latter figure is about in line with the current government poverty-level income for a family of four.

Doctor fees rose 5.9 per cent, hospital costs an estimated 7.4 per cent in 1978. These were the lowest increases since 1973. Over the past five years, the medical price index rose 74.8 per cent while the average monthly benefit paid to injured workers rose 44.6 per cent.

The following table shows the Washington state fund's cumulative performance for the last four years as well as the figures for the most recent year.

STATE OF WASHINGTON
NONPROFIT STATE WORKERS' COMPENSATION FUND
DISTRIBUTION OF PREMIUM DOLLAR

(For Fiscal Year Ending June 30)
(thousands of dollars)

INCOME SOURCES	Dollars	1977-78	Four-year Totals	
		Percentage of Premium Income	Dollars	Percentage of Premium Income
Premiums paid by employers	\$281,906	76.5%	\$741,360	78.0%
Premiums paid by employees	86,662	23.5	209,422	22.0
Total premium income	368,568	100.0	950,782	100.0
Investment income	44,850	12.2	122,426	12.9
Total available for distribution	413,418	112.2	1,073,208	112.9
EXPENSES:				
Appellate costs	2,665	.7	9,153	1.0
Operating expense, incl. rehab.	16,398	4.5	55,605	5.8
Safety and accident research	3,709	1.0	10,472	1.1
Total income required for expense and not available for benefits	22,772	6.2	75,230	7.9
Total available for current and future benefits	\$390,646	106.0%	\$997,978	105.0%

Source: Annual Reports, Department of Labor & Industries

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LABOR & MANAGEMENT COMMITTEE

GUEST LIST

IF YOU
WISH TO SPEAK

NAME

REPRESENTING

Pro Con

(Please print)

NAME	REPRESENTING	Pro	Con
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>	X	
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>	X	
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>	X	
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>	X	
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>		
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>		
JOHN HUNTER	MONTGOMERY WARD	X	
Jim [Faint]	SRI		X
J. LORIGAN	NIC		X
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>		
<i>[Faint handwritten name]</i>	<i>[Faint handwritten organization]</i>		
John J. Mc GUNE	AGC-		X
Howland [Faint]	AGC		X
Don [Faint]	Laborers Local 169		
Carl [Faint]	Laborers [Faint]		
Richard [Faint]	<i>[Faint handwritten organization]</i>	X	
Daryl E. [Faint]	NEW MOTOR TRANSPORT ASSN NEW FRANCHISED AUTO DEALERS ASSN		
JIM WADHAMS	COMMERCE DEPT		
SCOTT BECKER	NIC		
TOM YOUNG	NEW ENVIRONMENTAL ACTION TRUST		
HAL G. CURTIS	COMM. NIC		

LABOR & MANAGEMENT COMMITTEEGUEST LIST

<u>NAME</u> (Please print)	<u>REPRESENTING</u>	<u>IF YOU WISH TO SPEAK</u>	
		<u>Pro</u>	<u>Con</u>
<u>W.C. ANTHONISEN</u>	<u>SUMMA CORP</u>	<u>X</u>	
<u>L. W. LAMPKIN</u>	<u>MEAT CUTTERS UNION</u>		<u>NO</u>
<u>H. HUDSON</u>	<u>SHEET METAL / UNION</u>		<u>X</u>
<u>George Foster</u>	<u>Plumbers & Pipefitters #350</u>		
<u>Buck Johnson</u>	<u>Buck's Ply. & Htg</u>		<u>NO</u>
<u>DON GORD</u>	<u>NEW COUNCIL OF LABORERS</u>		<u>X</u>
<u>CLAUDE EVANS</u>	<u>AFL-CIO</u>		<u>X</u>
<u>Dave Young</u>	<u>OPER. Engr Local Union #3</u>		<u>X</u>
<u>DARREL MITCHELL</u>	<u>IBEW LOCAL 1245</u>		
<u>Stan Jones</u>	<u>No. Nevada Central Labor</u>		<u>No</u>
<u>Roland Christensen</u>	<u>O.P. BEMIA Local #241</u>		<u>No</u>
<u>Ralph</u>	<u>O.P. BEMIA Local #241</u>		<u>NO</u>
<u>Robert P. Foley</u>	<u>Bricklayers #1</u>		<u>NO</u>
<u>Whitey A. Cronin</u>	<u>Bricklayers #1</u>		<u>X</u>
<u>Donald Matejovsky</u>	<u>Carpenters L.U. 971</u>		
<u>KAROL ROSE</u>	<u>NIC</u>		
<u>Max M. Blackham</u>	<u>Nevada Mining Assoc.</u>		<u>X</u>
<u>Easton D. Blackburn</u>	<u>TIMET</u>		<u>X</u>
<u>DAVID MILLOR</u>	<u>HARRAN'S</u>		<u>X</u>
<u>Wesley Harrison</u>			<u>X</u>
<u>Steve Kelley</u>	<u>Nev. Retail Assn.</u>		
<u>Bill Thompson</u>	<u>Nev. Independent Bus. Assoc.</u>		
<u>Bob Warren</u>	<u>NEV MINING ASSN</u>		