

The Mississippi Legislature



A Performance Audit of the Workers' Compensation Commission's Regulation of Workers' Compensation Self-Insurance Groups

December 15, 1993

The Mississippi Workers' Compensation Commission adjudicates job injury claims and awards compensation to injured workers. Under state law, employers may join self-insurance groups to provide coverage as a more economical alternative to buying coverage from an insurance company. The commission is responsible for regulating self-insurance groups to insure that they are financially sound and comply with state laws and commission rules. However, the commission has not performed in-depth field examinations, relying instead on commission actuaries' limited reviews of documents the self-insurance groups file with the commission.

Because Workers' Compensation Commission self-insurance duties are similar to those the Department of Insurance performs relative to insurance companies, the Legislature should consider transferring the duties to the Department of Insurance. The commission concurred in PEER's recommendation.

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**A Performance Audit of the Workers' Compensation Commission's
Regulation of Workers' Compensation Self-Insurance Groups**

December 14, 1993

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature
Joint Committee on Performance Evaluation and Expenditure Review
PEER Committee



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December 14, 1993

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At its meeting of December 14, 1993, the PEER Committee authorized release of the report entitled **A Performance Audit of the Workers' Compensation Commission's Regulation of Workers' Compensation Self-Insurance Groups.**



Representative Cecil McCrory, Chairman

**This report does not recommend increased
funding or additional staff.**

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A Performance Audit of the Workers' Compensation Commission's Regulation of Workers' Compensation Self-Insurance Groups

December 14, 1993

Executive Summary

The Workers' Compensation Commission is responsible for the regulation of self-insurance groups in Mississippi. These groups consist of employers who have chosen self-insurance as a means of holding down the increasing costs of acquiring workers' compensation insurance from insurance companies. At present, nineteen such groups operate in Mississippi.

Self-insurance groups only recently have become a major force in the workers' compensation market. The commission does not have a field staff to conduct audits of groups' financial records or provide technical assistance on matters relative to such groups.

The need for comprehensive review of workers' compensation insurance groups is considerable, since failure of one group could result in financial loss to employees and to other members of the group who could be individually liable for any claims the group could not pay.

Presently the commission is upgrading its capabilities for evaluating groups by using contract

actuaries and is trying to fill new positions given by the 1993 Mississippi Legislature to be used in examining workers' compensation groups.

The Workers' Compensation Commission primarily functions as an administrative adjudicative body, with most of its personnel dedicated to the support of this function. Only in the area of self-insurance does the agency have a responsibility to examine and evaluate participants in the workers' compensation industry to insure their financial integrity and solvency.

PEER recommends that the Legislature consider moving the self-insurance regulation function to the Department of Insurance since regulation of insurance is its principal function.

PEER recommends that, regardless of where the regulatory function is assigned, the responsible agency should hire staff capable of evaluating self-insurers for financial integrity. Such regulation should include routine and unannounced audits of groups.

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A Performance Audit of the Workers' Compensation Commission's Regulation of Workers' Compensation Self-Insurance Groups

Introduction

Authority

The PEER Committee examined issues related to the Workers' Compensation Commission's oversight and regulation of workers' compensation self-insurance groups. MISS. CODE ANN. Section 5-3-57 authorizes the committee to perform such reviews.

Scope

PEER specifically reviewed how the Workers' Compensation Commission oversees self-insurance groups and the procedures and resources employed in overseeing such activities.

Method

During the course of this review, PEER:

- interviewed personnel of the Workers' Compensation Commission, including the three Commissioners;
- reviewed files of each of the self-insurance groups to determine the scope and detail of the Commission's regulation;
- reviewed provisions of the Mississippi Code of 1972 and the regulations of the Workers' Compensation Commission regarding regulation of groups; and,
- reviewed literature from other states regarding the regulation of workers' compensation self-insurance groups.

Overview

The Workers' Compensation Commission does not have in place a regulatory program that requires thorough, periodic reviews of self-insurance groups. Further, the commission does not have on staff the actuarial and accounting personnel needed to carry out such oversight.

Since 1992, the commission has contracted with two major actuarial firms to review and comment on financial and other information submitted to the commission by each of the groups. These reviews have given the commission some analytical guidance on regulation of the groups, but such reviews are based on information provided by the groups, and not on information generated by field work performed by the contract actuary.

The Workers' Compensation Commission's principal purpose is to promulgate rules governing the compensation of workers for injuries they suffer in the course and scope of their employment and to provide an administrative forum for injury claims. The commission is not charged with overseeing the activities of the workers' compensation industry, except in the narrow field of self-insurance. Regulatory activities, such as overseeing the financial security of insurers, normally fall within the scope of the Department of Insurance. In light of this, the Legislature should consider moving this function to the Department of Insurance, provided that department would take an aggressive stance in regularly auditing the groups and their members.

insurance and fails to do so is guilty of a misdemeanor, and shall be punished by a fine of up to \$1,000 or by imprisonment for one year, or both. Such employers become jointly and severally liable for any compensation which may accrue under the Mississippi Workers' Compensation Law (see MISS. CODE ANN. Section 71-3-83).

MISS. CODE ANN. Section 71-3-75 provides that employers may be self-insurers if they prove to the Workers' Compensation Commission that they are financially responsible. The commission may require that such self-insurers report to it from time to time on their financial condition. The commission may also require posting of a security bond by any employer who is a self-insurer. Self-insurers may also choose to pool their liabilities and form a self-insurance group.

Self-Insurance Groups

In 1988, the Mississippi Legislature authorized employers to create self-insurance groups. A group must consist of two or more businesses engaged in a common type of activity or pursuit or those having other reasons to associate. Thus any two businesses may become members of a self-insurance group (see MISS. CODE ANN. Section 71-3-75). MISS. CODE ANN. Section 71-3-85 authorizes the Workers' Compensation Commission to promulgate rules and regulations necessary to carry out the purposes of the Workers' Compensation Law, including self-insurance regulation.

Groups have become significant as businesses have experienced great increases in the premiums they must pay to private insurance companies for workers' compensation coverage. Many employers troubled over the rising costs of premiums charged by insurance companies have joined groups to save money. Self-insurance groups may save the employer money in that they can charge premiums which are lower than those of insurance companies.

While groups offer advantages to the employer, they are not without risks. Under the regulations of the Mississippi Workers' Compensation Commission, all group members must sign an indemnity agreement wherein they consent to be jointly and severally liable for all claims of the group. Consequently, if a member who is not financially sound, or who has not endeavored to implement a safety program, suffers high claims and defaults on premiums, the group members may have to pay the claims either through their bond, their excess insurance coverage, which groups obtain to cover large unforeseen claims, or from their own funds. Problems may also arise if the group has not established a premium structure which is actuarially sound in light of the members' risks.

Since state law was amended to allow group self-insurance, the use of such groups has become widespread, with the number of groups increasing from fifteen to nineteen in the last year alone. This is

attributable to the rising costs of workers' compensation insurance in the voluntary insurance market. In the past year alone, the volume of premiums taken in by groups has risen from \$74 million to \$124 million. At present, nineteen self-insurance groups operate within the state.

*Commission Regulations Regarding
Self-Insurance Groups*

Section 1 of the commission's group self-insurance regulations requires that each group receive a certificate of authority from the Workers' Compensation Commission, valid for one year. To become approved for certification, a group must provide the commission with:

- a \$200 filing fee;
- an application containing the group's name, address, date of organization, and a list of all members;
- the group's articles of incorporation;
- the group's by-laws;
- copies of agreements with any service company or administrator;
- agreements between each member and the group;
- list of the group's trustees;
- address where the group's books shall be maintained;
- the group's *pro forma* financial statement; and,
- proof of each member's payment of no less than 25% of its estimated annual premium.

Further, each group must show that its members have a combined net worth of at least \$1 million, post a security bond for payment of claims; provide excess insurance coverage to cover large, unanticipated claims; execute an indemnity agreement making each member jointly and severally liable for all claims made against the group; and obtain a fidelity bond for the administrator. Failure to comply with these requirements would result in a group not receiving a certificate to operate a self-insurance group. Without a certificate to operate, the members of the group would not be insured for purposes of the Workers' Compensation law.

Section 3 permits the Workers' Compensation Commission to conduct any examination of any group, and assess any costs incurred in conducting such examinations.

Other significant rules include Section 7, which requires each group to submit financial statements and actuarial statements to the commission, and Section 12, which authorizes the commission to revoke the certificate of any group which is insolvent, or fails to comply with state law. While no group has lost its certificate, if such should happen, the members would have to obtain their workers' compensation coverage from another source, or be in violation of the law, as they would not be insured against future claims.

Finding

The Workers' Compensation Commission lacks a systematic method of evaluating and investigating self-insurance groups and the firms which make up the group membership to assure their financial integrity.

As noted above, more employers have turned to groups for their workers' compensation insurance, as they believe groups can provide coverage at a lower cost. Many group members hope to keep their premiums as low as possible through group membership, and they wish to extend membership to as many potential members as possible and thus spread risks over a large group.

These motivations can affect the quality and integrity of the information each group provides to the Workers' Compensation Commission. As stated above, groups must annually provide actuarial and financial statements to the commission for evaluation. The commission's staff does not routinely audit these statements or make unannounced visits to review records.

Prior to 1992, neither the commission, nor any other entity, reviewed self-insurance groups. Since 1992 the commission has hired two actuarial firms, Wyatt and Company and Tillinghast, to review groups' actuarial reports and financial statements. The firms review the financial statements provided by the groups, as well as actuarial reviews provided by the groups. The firms' actuarial examinations consist of:

- a review of the financial statements that groups file with the Workers' Compensation Commission;
- a review of actuarial reports that groups file with the Workers' Compensation Commission; and,
- recommendations on actions that the groups should take, such as reviews of rates and audit steps for future audits.

This is the substance of technical review provided to the commission. While these reviews are helpful to the commission in understanding what groups should do, it is important to note that they are based on information provided by the groups, and not on information generated by field work performed by the contract actuary.

Two of Mississippi's surrounding states, Arkansas and Louisiana, are in the process of performing their own field audits of their states' self-insurance groups. These audits are to be full field audits of each group's financial records. Louisiana audits are directed to the investments each group makes. Tennessee, which does not perform field audits at this time, must do so in the future, as state law now requires that the Insurance

Department audit each group every five years. Alabama does not perform field audits but cites a lack of staff as the reason for not doing so. All surrounding states told PEER that field audits are needed to insure that self-insurance groups operate programs which will be financially sound and will generate the financial resources needed to meet claims.

The Mississippi Workers' Compensation Commission accepts the correctness of this position, but has not until this fiscal year had the resources to hire a field audit staff. According to the Executive Director of the Mississippi Workers' Compensation Commission, the 1993 Legislature authorized four new positions to the agency for staffing the self-insurance program. These positions include an Accountant/Auditor III, an Actuary, an Administrative Assistant, and a Secretary. The commission has not yet filled any of the positions because, according to the commission, it has had difficulty in working with the State Personnel Board in arriving at an appropriate salary for the actuary. The commission believes that the \$40,000 salary that the State Personnel Board has recommended for the actuary's position is too low to attract a competent applicant. As of November 24, 1993, the Workers' Compensation Commission was negotiating with the actuarial firm of Wyatt and Company to provide regular actuarial analysis of the records groups file with the commission, and further to provide any other assistance or advice the commission requires in the area of actuarial analysis.

In light of the possible motivations that groups might have to enlist members who are not financially sound, or to set premiums lower than actuarial standards would allow, a rigorous oversight program is necessary to insure the financial integrity of each group and the firms which make up the group membership. This could be achieved by continuous field audit and review of groups and members, with regular reports to the Commission and its Executive Director. Such reviews would determine whether premiums are being accurately calculated and charged when due. Those who do not operate their program in a financially sound fashion should receive appropriate sanctions as penalties.

Failure to perform rigorous oversight reviews could have a serious impact on the workers who are the ultimate beneficiaries of workers' compensation. If a group has not properly calculated its premiums to meet projected claims and does not have proper funding to meet the claims of injured employees, then the group could become insolvent, and civil actions against the group's bond or against each member might result, causing delay in the payment of claims to injured workers.

Groups have become major players in the workers' compensation business only in recent years, which could explain why the Workers' Compensation Commission has not conducted field audits of such groups. Further, the staffing of the commission tends to be centered around office staff personnel and judicial support personnel and not auditors and actuaries that would be needed to perform field audits of groups. While the

concerns which gave rise to this report were primarily directed at oversight of group self-insurance, the same weaknesses arise in the oversight of individual self-insurance, as there is no agency auditing of individual self-insurers. According to the Executive Director of the Workers' Compensation Commission, the agency will use its recently authorized audit personnel to review the financial records of individual self-insurers.

Policy Considerations

The state should take certain steps to insure the security and solvency of self-insurance groups; these steps are essentially regulatory actions similar to those used by insurance and banking regulatory agencies. Essentially, the Workers' Compensation Commission is responsible for setting rules governing the compensation of employees injured on the job and provides the administrative adjudicative forum for these claims. The agency's primary mission is not that of a regulator of the insurance industry or of the employers who must acquire workers' compensation insurance in order to operate legally. Only in the area of self-insurance does the agency have a responsibility to examine and evaluate participants in the workers' compensation industry to insure their financial integrity and solvency.

The Department of Insurance fulfills regulatory functions with respect to the solvency of insurers, and is familiar with the workers' compensation market, as it approves rates which insurance carriers may charge their insureds. Conceptually, the Department of Insurance would be a better locus for a program of group oversight, as oversight of insurers is a major component of the agency's mission. The same can be said of oversight of individual self-insurance. Because an individual firm which chooses to be a self-insurer is acting in essence as an insurance company for itself, the oversight of such is conceptually consistent with the activities the Department of Insurance carries out when regulating insurance carriers doing business in the state of Mississippi. In reviewing how neighboring states regulate self-insurance, PEER found that Tennessee and Louisiana place the responsibility of regulating self-insurance in their Department of Insurance. Alabama and Arkansas place the responsibility in their workers' compensation agency.

Recommendations

1. The Legislature should consider assigning the function of overseeing workers' compensation self-insurance groups as individual self-insurers to the Department of Insurance. Appropriate legislation to transfer this function would be identical to Senate Bill 2772, Regular Session, 1993. (See Appendix, page 13, for a copy of this legislation.)
2. Regardless of whether the Legislature moves the function of overseeing workers' compensation self-insurance groups to the Department of Insurance, the entity responsible for regulating the self-insurance groups should upgrade its regulatory efforts, including:
 - hiring staff, including accountants and an actuary, to evaluate the risks each group presents, and to determine whether the financial condition of each group and group member threatens the operations of the group;
 - conducting unannounced financial audits of each group to verify the correctness of financial statements submitted to the regulatory agency, and to investigate any other condition which may materially affect a group's ability to meet the requirements of serving as insurers for all of its members; and,
 - devising appropriate administrative sanctions to penalize matters which would not warrant revocation of a group's certificate. These sanctions could include fines or orders requiring that members who fraudulently or negligently report information to the group or commission be barred from participating in the group.

Appendix

*Proposed Legislation Assigning Oversight of Workers' Compensation
Self-Insurance Groups as Individual Self-Insurers
to the Department of Insurance
(Senate Bill 2772, Regular Session 1993)*

SENATE BILL NO. 2772

1. AN ACT TO AMEND SECTION 71-3-75, MISSISSIPPI CODE OF 1972, TO
2. TRANSFER REGULATION OF WORKERS' COMPENSATION SELF-INSURERS AND
3. SELF-INSURED POOLS TO THE DEPARTMENT OF INSURANCE; TO AUTHORIZE
4. THE DEPARTMENT OF INSURANCE TO ASSESS SUCH SELF-INSURERS FOR
5. ADMINISTERING THE PROGRAMS; TO CREATE A SPECIAL FUND FOR SUCH
6. ASSESSMENTS; TO PROVIDE FOR THE ADMINISTRATION OF THE SPECIAL
7. FUND; TO AUTHORIZE THE DEPARTMENT TO ISSUE REGULATIONS GOVERNING
8. THE SELF-INSURED PROGRAM; TO AMEND SECTIONS 71-3-5 AND 27-104-13,
9. MISSISSIPPI CODE OF 1972, TO CONFORM; AND FOR RELATED PURPOSES.

10. BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

11. SECTION 1. Section 71-3-75, Mississippi Code of 1972, is
12. amended as follows:

13. 71-3-75. (1) Insurance of liability: An employer liable
14. under this chapter to pay compensation shall insure payment of
15. such compensation by a carrier authorized to insure such liability
16. in this state unless such employer shall be exempted from doing so
17. by the Department of Insurance.

18. (2) Exemption from insuring: An employer desiring to be
19. exempt from insuring his liability for compensation shall apply to
20. the department, showing his financial ability to pay such
21. compensation and agreeing as a condition for the granting of the
22. exemption to faithfully report all injuries under compensation
23. according to law and rules of the commission, and to comply with
24. this chapter and the rules of the commission and the department.
25. The department by written order may make such exemption. The
26. department may require further statement of financial ability of
27. such employer to pay compensation and may, upon ten (10) days'
28. notice in writing, for financial reasons or for failure of the
29. employer to faithfully discharge his obligations according to the

30. agreements contained in his application for exemption, revoke its
31. order granting such exemption, in which case such employer shall
32. immediately insure his liability. As a condition for the granting
33. of an exemption, the department may require the employer to
34. furnish such security as it may consider sufficient to insure
35. payment of all claims under compensation and to maintain the
36. solvency of the employer. If the security is in the form of a
37. bond or other personal guaranty, the department may, at any time
38. either before or after the entry of an award upon at least ten
39. (10) days' notice and opportunity to be heard, require the
40. sureties to pay the amount of the award, the same to be enforced
41. in like manner as the award itself may be enforced. If an
42. employer procures an exemption and then enters into any form of
43. agreement for insurance coverage with an insurance company or
44. interinsurer not licensed to operate in this state, his conduct
45. shall automatically operate as a revocation of such exemption. An
46. order exempting an employer from insuring his liability for
47. compensation shall be null and void if the application contains a
48. financial statement which is false in any material respect. The
49. department shall revoke the self-insurance permit if the employer
50. is found to have directly or indirectly induced an employee to
51. forego his right to workers' compensation benefits.

52. (3) Pooling of liabilities: (a) The department may, under
53. such rules and regulations as it prescribes, permit two (2) or
54. more employers engaged in a common type of business activity or
55. pursuit, including members of a trade association whose income or
56. a portion of their income is derived from a common type of
57. business activity or pursuit, to enter into agreements to pool
58. their liabilities under this section for the purpose of qualifying
59. as self-insurers, and each employer member of such approved group
60. shall be classified as a self-insurer.

61. (b) The department may permit two or more political
62. subdivisions as defined in Section 11-46-1, to pool their

63. liabilities to participate in a group workers' compensation
64. self-insurance program.

65. (c) The department shall promulgate rules and
66. regulations to ensure the solvency of self-insurers and
67. self-insured pools and may promulgate any regulations necessary to
68. administer self-insured program.

69. SECTION 2. Section 71-3-5, Mississippi Code of 1972, is
70. amended as follows:

71. 71-3-5. The following shall constitute employers subject to
72. the provisions of this chapter:

73. Every person, firm and private corporation, including any
74. public service corporation but excluding, however, all nonprofit
75. charitable, fraternal, cultural, or religious corporations or
76. associations, that have in service five (5) or more workmen or
77. operatives regularly in the same business or in or about the same
78. establishment under any contract of hire, express or implied.

79. Any state agency, state institution, state department, or
80. subdivision thereof, including counties, municipalities and school
81. districts, or the singular thereof, not heretofore included under
82. the Workers' Compensation Law, may elect, by proper action of its
83. officers or department head, to come within its provisions and, in
84. such case, shall notify the commission of such action by filing
85. notice of compensation insurance with the commission. Payment for
86. compensation insurance policies so taken may be made from any
87. appropriation or funds available to such agency, department or
88. subdivision thereof, or from the general fund of any county or
89. municipality.

90. From and after July 1, 1990, all offices, departments,
91. agencies, bureaus, commissions, boards, institutions, hospitals,
92. colleges, universities, airport authorities or other
93. instrumentalities of the "state" as such term is defined in
94. Section 11-46-1, Mississippi Code of 1972, shall come under the

95. provisions of the Workers' Compensation Law. Payment for
96. compensation insurance policies so taken may be made from any
97. appropriation or funds available to such office, department,
98. agency, bureau, commission, board, institution, hospital, college,
99. university, airport authority or other instrumentality of the
100. state.

101. From and after October 1, 1990, counties and municipalities
102. shall come under the provisions of the Workers' Compensation Law.
103. Payment for compensation insurance policies so taken may be made
104. from any funds available to such counties and municipalities.

105. From and after October 1, 1993, all "political subdivisions,"
106. as such term is defined in Section 11-46-1, Mississippi Code of
107. 1972, except counties and municipalities shall come under the
108. provisions of the Workers' Compensation Law. Payment for
109. compensation insurance policies so taken may be made from any
110. funds available to such political subdivisions.

111. Domestic servants, farmers and farm labor are not included
112. under the provisions of this chapter, but this exemption does not
113. apply to the processing of agricultural products when carried on
114. commercially. Any purchaser of timber products shall not be
115. liable for workers' compensation for any person who harvests and
116. delivers timber to such purchaser if such purchaser is not liable
117. for unemployment tax on the person harvesting and delivering the
118. timber as provided by United States Code Annotated, Title 26,
119. Section 3306, as amended. Provided, however, nothing in this
120. section shall be construed to exempt an employer who would
121. otherwise be covered under Section 71-3-5 from providing workers'
122. compensation coverage on those employees for whom he is liable for
123. unemployment tax.

124. Employers exempted by this section may assume, with respect
125. to any employee or classification of employees, the liability for
126. compensation imposed upon employers by this chapter with respect

127. to employees within the coverage of this chapter. The purchase
128. and acceptance by such employer of valid workers' compensation
129. insurance applicable to such employee or classification of
130. employees shall constitute, as to such employer, an assumption by
131. him of such liability under this chapter without any further act
132. on his part notwithstanding any other provisions of this chapter,
133. but only with respect to such employee or such classification of
134. employees as are within the coverage of the state fund. Such
135. assumption of liability shall take effect and continue from the
136. effective date of such workers' compensation insurance and as long
137. only as such coverage shall remain in force, in which case the
138. employer shall be subject with respect to such employee or
139. classification of employees to no other liability than the
140. compensation as provided for in this chapter.

141. This chapter shall not apply to transportation and maritime
142. employments for which a rule of liability is provided by the laws
143. of the United States.

144. This chapter shall not be applicable to a mere direct
145. buyer-seller or vendor-vendee relationship where there is no
146. employer-employee relationship as defined by Section 71-3-3, and
147. any insurance carrier is hereby prohibited from charging a premium
148. for any person who is a seller or vendor rather than an employee.

149. Any employer may elect, by proper and written action of its
150. own governing authority, to be exempt from the provisions of the
151. Workers' Compensation Law as to its sole proprietor, its partner
152. in a partnership or to its employee who is the owner of fifteen
153. percent (15%) or more of its stock in a corporation, if such sole
154. proprietor, partner or employee also voluntarily agrees thereto in
155. writing. Any sole proprietor, partner or employee owning fifteen
156. percent (15%) or more of the stock of his/her corporate employer
157. who becomes exempt from coverage under the Workers' Compensation
158. Law shall be excluded from the total number of workers or

159. operatives toward reaching the mandatory coverage threshold level
160. of five (5).

161. SECTION 3. (1) The Department of Insurance shall levy an
162. assessment on all self-insurers and self-insured pools to fund the
163. costs of administering the workers' compensation self-insurer
164. program. The assessment shall be on a pro rata basis of total
165. premiums written by each self-insurer or pool. The department may
166. employ or retain such persons as are necessary to administer the
167. program. All fees generated from such assessments shall be
168. deposited into a special fund designated as the Workers'
169. Compensation Self-Insurers Fund.

170. (2) There is hereby created in the State Treasury a special
171. nonlapsing revolving fund to be designated as the Workers'
172. Compensation Self-Insurers Fund. The fund shall be treated as a
173. special trust fund and interest earned on the principal shall be
174. credited by the treasurer to the fund.

175. (3) The Commissioner of Insurance shall administer the fund
176. and shall establish rules and regulations for the administration
177. and utilization of the fund. Expenditures may be made from the
178. fund upon requisition by the Commissioner of Insurance.

179. SECTION 4. Section 27-104-13, Mississippi Code of 1972, is
180. amended as follows:

181. 27-104-13. The State Fiscal Officer shall have the right to
182. disapprove or reduce and revise such estimates of general funds
183. and state-source special funds for any general fund or special
184. fund agency, and for the "administration and other expenses"
185. budget of the State Highway Department, in an amount not to exceed
186. five percent (5%) if he finds that funds will not be available
187. within the period for which the budget is drawn, or if he finds
188. that the requested expenditures, or any part thereof, are not
189. authorized by law, and such action shall be reported to the
190. Legislative Budget Office. The State Fiscal Officer may, upon his

191. determination of need based upon a finding that funds will not be
192. available within the period for which the budget is drawn,
193. transfer funds as provided in Section 27-103-203, from the Working
194. Cash-Stabilization Reserve Fund to the General Fund to supplement
195. the general fund revenue. In the event that the estimates of
196. general funds and state-source special funds of all general fund
197. and special fund agencies, and of the "administration and other
198. expenses" budget of the State Highway Department, have been
199. reduced by five percent (5%), additional reductions may be made
200. but shall consist of a uniform percentage reduction of general
201. funds and state-source special funds to all general fund and
202. special fund agencies, and to the "administration and other
203. expenses" budget of the State Highway Department. Any
204. state-source special funds reduced under the provisions of this
205. section shall be transferred to the State General Fund upon
206. requisitions for warrants signed by the respective agency head and
207. said transfer shall be made within a reasonable period to be
208. determined by the State Fiscal Officer.

209. For the purpose of this section, "state-source special funds"
210. shall be construed to mean any special funds in any agency derived
211. from any source, but shall not include the following special
212. funds: special funds derived from federal sources, from local or
213. regional political subdivisions, or from donations; special funds
214. held in a fiduciary capacity for the benefit of specific persons
215. or classes of persons; self-generated special funds of the state
216. institutions of higher learning or the state junior colleges;
217. special funds of Mississippi Industries for the Blind, the State
218. Port at Gulfport, Yellow Creek Inland Port, Pat Harrison Waterway
219. District, Pearl River Basin Development District, Pearl River
220. Valley Water Management District, Tombigbee River Valley Water
221. Management District, Yellow Creek Watershed Authority, or Coast
222. Coliseum Commission; special funds of the Department of Wildlife,

223. Fisheries and Parks derived from the issuance of hunting or
224. fishing licenses; special funds of the Department of Insurance
225. derived from assessments on workers' compensation self-insurers
226. and pools; and special funds generated by agencies whose primary
227. function includes the establishment of standards and the issuance
228. of licenses for the practice of a profession within the State of
229. Mississippi.

230. SECTION 5. This act shall take effect and be in force from
231. and after July 1, 1993.

Agency Response



Mississippi Workers' Compensation Commission

1428 Lakeland Drive/Post Office Box 5300
Jackson, Mississippi 39296-5300
601-987-4200

Claire M. Porter, Chairman
Beverly W. Hogan, Commissioner
John M. Nipper, Commissioner

December 8, 1993

Arthur C. Sharpe, Jr., Executive Director
Brenda H. Goolsby, Commission Secretary

Peer Committee
Post Office Box 1204
Jackson, Mississippi 39215-1204

TO WHOM IT MAY CONCERN:

We have received a copy of the Executive Summary of your recent performance audit of the Commission which pertains to our regulation of self-insurance groups. We are in agreement with the findings as set forth in this summary, and we wish to reiterate that we are doing all within our power to consistently upgrade and improve our performance of this important function.

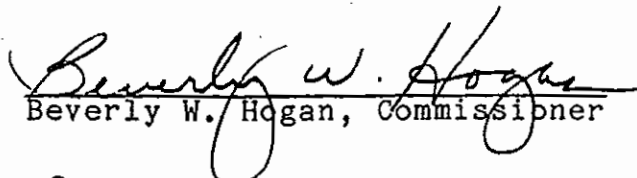
The recommendations as outlined in the summary are wholly consistent with our past efforts. We have asked the Legislature to transfer this function in whole to the Department of Insurance, or alternatively, to provide us with the resources to hire capable staff in sufficient numbers to carry out our regulatory duties in as effective a manner as possible.

If there is anything further the Commission can do to assist the Committee in this matter, we will be happy to do so. We appreciate your attention to this matter and look forward to hearing from you in more detail.

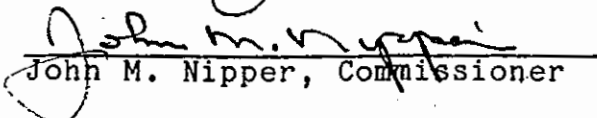
FOR THE COMMISSION:



Claire M. Porter, Chairman



Beverly W. Hogan, Commissioner



John M. Nipper, Commissioner

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Director

John W. Turcotte

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Steve Miller, General Counsel
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