

Task force debates privatization of CompSource

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OKLAHOMA CITY – Some members of a task force charged with privatizing CompSource Oklahoma said Wednesday that they lean toward mutualizing the state workers' compensation insurance carrier. Most members said the legal status of CompSource also needs to be settled, probably by a ruling from the Oklahoma Supreme Court.

Some believe an Oklahoma court case established that CompSource is owned by its policyholders, while others think the question needs to be further clarified.

Co-chaired by state Sen. Cliff Aldridge, R-Midwest City, and state Rep. Daniel Sullivan, R-Tulsa, the panel must have its report ready for legislative leaders by Dec. 1. Aldridge said he would like to see a rough draft by the task force's next meeting, on Nov. 5. Legislation that created the task force calls for CompSource to be converted into a private insurer no later than Dec. 31, 2010.

Mike Seney, executive vice president of operations for The State Chamber, pointed out that 75 percent of Oklahoma employers have fewer than 10 workers, with 98 percent having fewer than 100. Seney said he wants to ensure those small businesses are taken care of, however CompSource is ultimately restructured.

Seney said CompSource has remained available for companies needing workers' compensation coverage, even when private companies left the state during tough markets.

It is important to retain an insurer of last resort for businesses that cannot obtain coverage otherwise, he said.

CompSource serves as a good counterbalance to the private market, he said.

Seney acknowledged that selling CompSource is another option.

"I just don't think that's in the best interest of the small business policyholders of Oklahoma," he said.

Seney also said a three-year rate stabilization, as was proposed by a potential bidder for sale of CompSource recently, would not provide sufficient protection for policyholders.

"At some point, those rates are going to go up," he said.

Dan Ramsey, president and chief executive officer of Independent Insurance Agents of Oklahoma, said that in addition to some assurance against a spike in rates, he wants to see a seamless transition for private businesses and state entities insured by CompSource.

Ramsey suggested that the task force review how Texas mutualized its workers' compensation carrier, which he said is now an aggressive, competitive player in that market.

Lee Ann Alexander, assistant vice president and senior legislative counsel for Liberty Mutual Group, said, "I think it's important that the competitive market be able to work."

She said there should be a level playing field.

Alexander said the Legislature can take steps to prevent rate shock.

She also cautioned against relying too heavily on Texas for comparison, saying that state allows businesses to opt out of workers' compensation coverage.

Consulting actuary Jim Stergiou said that, unlike CompSource, private-sector companies have not always been there for smaller business policyholders.

“CompSource has consistently fulfilled its mission,” he said.

The initial predecessor to CompSource was created as an insurer of last resort for workers’ compensation coverage.

Stergiou said that if it is determined the state owns CompSource and it is sold, state government could glean \$350 million or more.

He said a private buyer would be looking to profit from the acquisition, and that eventually rates would rise for at least some policyholders.

State finance Director Michael Clingman is among those who believe CompSource is owned by its policyholders, but said that issue needs to be resolved.

Sullivan said he believes CompSource belongs to the state and he hesitates to give away such an asset. If a court determines the carrier does not belong to the state, he said, it should probably be turned into a mutual company.

Aldridge said he took on the CompSource issue because he believes the state should not become involved in things private business can do.

“We ought to let the private sector do what it can do,” he said.

Whatever structure is chosen, Aldridge said, the residual workers’ compensation market must be addressed.

Sullivan said he thinks that legislation calling for the sale of CompSource could be challenged legally, putting the issue of its ownership before the court for resolution. He and Alexander discussed how to draft legislation with alternative fates for CompSource, either sale or mutualization, depending upon how the court might rule.

The Oklahoma Public Employees Association issued a statement Wednesday opposing privatization.

Executive Director Sterling Zearley asked why lawmakers would put uncertainty into the workers’ compensation market during troubled economic times.

“Some Oklahoma businesses, such as agriculture, the oil industry and construction, are by their nature prone to risk and hard to insure,” Zearley said. “Some companies don’t want to go to the trouble of serving small and emerging businesses, which will be a key to our economic recovery.”