

SB 219 and 695 Chesapeake-IWIF Testimony.pdf

Uploaded by: Lyndsey Meninger

Position: FWA



Senate Finance Committee
February 25, 2025

**Testimony of Chesapeake Employers' Insurance Company
and the Injured Workers' Insurance Fund in Support of Senate Bill 695
and in Support with Amendments of Senate Bill 219**

Senate Bill 219 and Senate Bill 695 both aim to support the Uninsured Employers' Fund ("UEF"). Senate Bill 219 grants an additional assessment of 1% to the UEF on awards and settlements from the Workers' Compensation Commission. (Currently, the UEF receives 2% in assessments from all carriers and self-insureds, including both Chesapeake Employers' Insurance and the Injured Workers' Insurance Fund in addition to payment to the injured worker. Of note, all carriers and self-insureds also pay an assessment to the Subsequent Injury Fund in the amount 6.5% on awards and settlements.) Senate Bill 695 seeks to amend the composition of the UEF's board to include members with expertise in property and casualty insurance, accounting or financial experience, a policyholder of workers' compensation insurance in Maryland, and a general member of the public, replacing the current representation of labor, management, and the general public. Senate Bill 695 also mandates the UEF to establish reserves.

The bills are in response to the Legislative Workgroup Addressing the Long-Term Solvency of the UEF. As you heard on January 15, 2025, both UEF Director Micheal Burns and Workers' Compensation Commission Chair Maureen Quinn have various views on what is necessary to continue the review of the UEF. (To summarize, Director Burns believes the UEF's financial status can be cured with the assessment change, Chair Quinn believes the UEF needs guidance by way of a monitor given the inconsistencies she has heard regarding collection ability and claims handling.) As stakeholders in workers' compensation, Chesapeake Employers' Insurance and the Injured Workers' Insurance Fund support essential changes to the UEF's funding and oversight to ensure that injured workers without employer coverage receive necessary medical treatment and indemnity payments.

The proposed board membership modifications will ensure that the UEF has experienced oversight. Additionally, requiring the UEF to establish reserves will provide a clearer picture of their liabilities for future funding considerations. Chesapeake Employers' Insurance and the Injured Workers' Insurance Fund believe these structural changes will ensure proper oversight and the solvency of the UEF.

If Senate Bill 695 passes, Chesapeake Employers' Insurance and the Injured Workers' Insurance Fund would support a 0.5% increase, rather than a 1% increase, to the UEF assessment. According

to the Interim Report of the Legislative Workgroup, with the UEF's current third-party administration contract and a recent settlement, its potential insolvency year is now projected for 2059, instead of April 2026 as previously predicted. Therefore, a 1% increase seems excessive, especially as it impacts law-abiding businesses, counties, municipalities, and the State.

For these reasons Chesapeake Employers' Insurance and the Injured Workers' Insurance Fund support Senate Bill 695 and Senate Bill 219 with amendments.

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SB0219 HB0193 –Uninsured Employers’ Fund – Additio

Uploaded by: Michael Burns

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Uninsured Employers' Fund
Testimony
SB0219/HB0193 –Uninsured Employers' Fund – Additional Assessment on Awards and Settlements
Position – Favorable

Please accept the following as the written testimony of the Maryland Uninsured Employers' Fund (UEF/Fund/Agency) requesting a Favorable report on SB0219/HB0193 –Uninsured Employers' Fund – Additional Assessment on Awards and Settlements.

The Uninsured Employers' Fund (UEF/Agency) is a statutory agency created to protect Maryland workers who are injured on the job (or develop an occupational disease). The purpose of the Agency is to provide workers' compensation benefits to injured workers and their families when an uninsured employer fails to pay benefits awarded by the Maryland Workers' Compensation Commission.

The UEF is a special fund which is funded by fines levied by the Commission against uninsured employers and assessments imposed on most awards and settlements of indemnity benefits. The agency also works to obtain reimbursement from uninsured employers for expenditures made by the agency to claimants. The Agency's obligation to provide benefits and/or compensation is triggered when an uninsured employer defaults on an Award issued by the Commission.

The current statute allows the agency to have an assessment of up to 2% on workers' compensation awards and settlements. The agency has been at the maximum 2% level for a decade. The Agency is 100% self-funded.

This legislation will give the agency the authority to raise the assessment on most awards and settlements issued by the Workers Compensation Commission (WCC) from the current maximum of 1% plus 1% to a new maximum of 1% plus up to 2% additional if required to

maintain the solvency of the Fund and ensure continued payments to injured Maryland workers and their families.

The agency receives approximately 80-90% of its funding from these assessments. A 2020 audit indicated the Fund faced insolvency in several years unless revenues increased. Recent assessment revenue generated from these WCC assessments is significantly down during the past two fiscal years. This legislation would permit the agency Board to increase the assessment up to an additional 1% in order to maintain the Fund's solvency and to have the resources to continue to make required payments to injured Maryland workers and their families who have not been properly insured by the worker's employer for workers compensation insurance purposes. It is also adjustable and, therefore, can be lowered as appropriate when funding reaches levels which indicate such a reduction is financially realistic and prudent.

The Uninsured Employer's Fund exists to protect workers who are injured on the job and whose employers fail to obtain Worker's Compensation Insurance. We ensure that benefits and medical expenses are properly paid to injured workers. Over the decades, the costs of providing these benefits have continued to rise while the assessment revenue has begun to decline.

This legislation ensures that our clients, uninsured Maryland workers and their families, continue to receive the payments which they rely upon for their support by ensuring the Fund has adequate financial resources available to pay their claims.

This agency requests a favorable report on this proposed legislation.

Thank you.

Sincerely,

Michael W. Burns

Michael W. Burns, Esquire
Director
Uninsured Employers' Fund

SB 219_ Uninsured Employers' Fund - Additional Asse

Uploaded by: Hannah Allen

Position: UNF



LEGISLATIVE POSITION:

Unfavorable

Senate Bill 219 - Uninsured Employers' Fund - Additional Assessment on Awards and Settlements - Amount

Finance Committee

Tuesday, February 25, 2025

Dear Chair Beidle and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 219 (SB 219) increases the additional percentage the Uninsured Employers' Fund (UEF) may direct the Workers' Compensation Commission (WCC) to assess on awards and settlements if the UEF determines that the reserves of the Fund are inadequate to meet anticipated losses.

Maryland's compliant employers – those who dutifully maintain workers' compensation insurance – already contribute significantly to funding both the Subsequent Injury Fund (SIF) and the UEF through assessments on awards and settlements. **These employers should not be further penalized to compensate for the financial challenges facing the UEF, particularly in the absence of a clear long-term funding strategy.**

Additionally, increasing assessments without a clear, long-term plan for fiscal stability is a short-term fix that does not address the underlying financial challenges of the UEF. Without a well-defined strategy, there is a risk that compliant employers will face repeated increases in the future.

Rather than shifting the financial burden onto businesses that are already meeting their legal obligations, we urge the committee to explore alternative solutions that improve the fiscal responsibility of the UEF while protecting Maryland's job creators from undue costs.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **SB 219**.

SB 219 UEF Amount 0222525 UNF APCIA .pdf

Uploaded by: Nancy Egan

Position: UNF



Testimony of

American Property Casualty Insurance Association (APCIA)

Senate Finance Committee

Senate Bill 219 - Uninsured Employers' Fund - Additional Assessment on Awards and Settlements - Amount

February 25, 2025

Unfavorable

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 67% of the U.S. property and casualty insurance market, including 90% percent of Maryland's workers' compensation market. APCIA appreciates the opportunity to provide written comments in opposition to Senate Bill 219.

This bill would alter from 1% to up to 2%, the additional percentage the Uninsured Employers' Fund Board may direct the Workers' Compensation Commission to assess on awards and settlements if the Board determines that the Fund reserves are inadequate to meet anticipated losses. Assessing insurers on all settlements and benefit payments to fund uninsured employers is problematic. Insurers are being hurt two times: first, by the employer who refuses to obtain workers compensation coverage and 2) by being assessed on all awards and settlements to fund the employer's lack of compliance with workers compensation coverage requirements. SB 219 proposes doubling this unfair assessment on insurers. A better alternative would be to increase penalties and fines on employers who refuse to purchase the necessary coverage and better examination of the UEF operations as to why it is operating at a loss.

For these reasons, APCIA urges the Committee to provide an unfavorable report on Senate Bill 219.

Nancy J. Egan,

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