

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 673 (Senator Derr)

Finance

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**Workers' Compensation Insurance - Scheduled Credits**

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This bill allows a workers' compensation insurer to file a rate plan that provides premium adjustments based upon characteristics of risk that are not reflected in the uniform experience rating plan. These adjustments are capped at 25%.

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**Fiscal Summary**

**State Effect:** No impact on State workers' compensation expenditures. Minimal increase in general fund revenues in FY 1999 due to one-time fees collected by the Maryland Insurance Administration. Indeterminate impact on insurance premium taxes.

**Local Effect:** Indeterminate impact on workers' compensation expenditures for local governments that purchase workers' compensation insurance.

**Small Business Effect:** Indeterminate impact on workers' compensation expenditures for employers, including small businesses, that purchase workers' compensation insurance.

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**Fiscal Analysis**

**State Effect:** The Injured Workers' Insurance Fund (IWIF), which provides workers' compensation coverage for State employees, is exempt from the provisions of the proposal. The bill would not affect the State in any event because the State self-insures its workers' compensation expenditures with IWIF as the administrator.

The Maryland Insurance Administration (MIA) would receive an increase in fee revenues of \$25,200 in fiscal 1999 if all 252 workers' compensation insurers file scheduled rating plans at \$100 each. Since rate and form filings often combine several rate and policy amendments at one time, however, the number of insurers who will file new rates and forms solely as a

result of this bill cannot be reliably estimated at this time. MIA advises that current staff will be able to handle the additional filings. The impact on premium taxes as a result of this bill cannot be reliably estimated because the net effect on overall premiums cannot be determined at this time.

**Small Business Effect:** The bill would allow commercial insurers to file a rating plan based on an employer's individual risk characteristics. This type of plan is generally referred to as "schedule rating" (as compared to uniform rating). Schedule rating is a competitive pricing tool insurers may use to market their workers' compensation insurance products to employers, with flexibility to vary the cost of those products based on individual risk characteristics. (Legislative Services understands that IWIF already has the flexibility to provide schedule rating for its insureds.)

To the extent that schedule rating allows for lower rates for some employers based on their individual risk characteristics, those employers' workers' compensation expenditures could go down by as much as 25%. Conversely, for employers with higher risk characteristics, their premiums could go up by as much as 25%. The extent to which small businesses would be particularly impacted cannot be precisely determined at this time and would depend on the individual small business's risk characteristics.

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**Information Source(s):** Injured Workers' Insurance Fund, Subsequent Injury Fund, Uninsured Employers' Fund, Workers' Compensation Commission, National Council on Compensation Insurance, Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 1998  
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