

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTE

Revised

House Bill 887

(Delegate McHale)

Economic Matters

Finance

Workers' Compensation - Partly Dependent Individuals - Death Benefit

This bill modifies the calculation for payment of weekly death benefits to partly dependent individuals, and raises the maximum limit of death benefits.

Fiscal Summary

State Effect: Potential increase in State workers' compensation expenditures, depending on the level of death benefit claims by partly dependent individuals.

Local Effect: Potential increase in local government workers' compensation expenditures, depending on the level of death benefit claims by partly dependent individuals.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill provides that the weekly death benefit for a partly dependent individual will be the percentage of the maximum weekly benefit (two-thirds of the deceased's weekly wage, or two-thirds of the State average weekly wage, whichever is lower) that the weekly earnings of the deceased covered employee bears to the combined weekly average earnings of the deceased employee and the partly dependent individuals.

For example, if a deceased covered employee earned \$650 per week, and a partly dependent spouse earned \$350 per week for combined earnings of \$1,000, the deceased earned 65% of the combined earnings. Thus, the benefit would be 65% of \$650, or \$423.

If the deceased earned \$800 and the spouse \$200, the benefit would be two-thirds of the State average weekly wage of \$681, or \$454, because 80% of \$800 (\$640) exceeds the maximum allowable benefit.

	<u>Case 1</u>	<u>Case 2</u>
Deceased Covered Employee Weekly Wage	\$650	\$800
Partly Dependent Spouse Wage	\$350	\$200
HB 887 Weekly Benefit	\$423	\$454

The cap for total benefits is raised from \$45,000 to \$60,000.

Current Law: The weekly death benefit for a partly dependent individual is the percentage of the maximum weekly death benefit (two-thirds of the deceased’s weekly wage, or two-thirds of the State average weekly wage, whichever is lower) that the weekly earnings of each partly dependent individual bears to the average weekly wage of the deceased covered employee.

Using the same example of a deceased covered employee who earned \$650 per week, and a partly dependent spouse who earned \$350 per week, the partly dependent spouse would receive \$233 (\$350 is 53.85% of \$650, and the maximum weekly benefit would be two-thirds of \$650, or \$434, and $434 \times 53.85\% = 233$). If the deceased earned \$800 and the dependent earned \$200, the weekly benefit would be \$114 (\$200 is 25% of \$800, and the maximum weekly benefit would be two-thirds of the deceased employee’s weekly wage of \$800, or \$534, and $534 \times 25\% = 134$).

	<u>Case 1</u>	<u>Case 2</u>
Deceased Covered Employee Weekly Wage	\$650	\$800
Partly Dependent Spouse Wage	\$350	\$200
Current Law Weekly Benefit	\$233	\$134

The total payments are capped at \$45,000 or, for a surviving spouse with no dependent children who remarries, until two years after the remarriage, as long as the \$45,000 cap is not reached before the remarriage.

Background: Chapter 690 of 1998 increased the maximum workers’ compensation death benefit amount that partly dependent individuals may receive from \$17,500 to \$45,000.

State Fiscal Effect: Because weekly benefits would rise under the calculation in the bill and the \$45,000 cap would be raised to \$75,000, State workers' compensation expenditures could increase to the extent that the State pays partly dependent death benefits.

The Injured Workers' Insurance Fund (IWIF), the State's workers' compensation provider and the insurer of last resort, advises that over the past 10 years it has averaged fewer than 10 claims per year for partly dependent benefits, and projects the fiscal impact of the bill to be negligible in comparison to the over 12,000 claims it processes annually. *However, IWIF failed to note whether the reported numbers were for State claims or overall claims, and did not respond to repeated requests for clarification.*

Additional Information

Prior Introductions: None.

Cross File: SB 743 (Senators Roesser and Kelley) – Finance.

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

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Analysis by: Mitchell J. McCalmon

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510