

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 569  
Economic Matters

(Delegate Krysiak, *et al.*)

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Injured Workers' Insurance Fund - Report of Loss Experience - Rating  
Organization

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This bill requires the board for the Injured Workers' Insurance Fund to record and report the loss experience of IWIF to the National Council on Compensation Insurance, the rating organization recognized in Maryland. IWIF also has to adopt a specified schedule of premium rates.

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Fiscal Summary

**State Effect:** Minimal increase in costs on the overall workers' compensation system. Potential increase in costs to the State as IWIF costs are passed on to policyholders and the State for administration.

**Injured Workers' Insurance Fund:** Nonbudgeted expenditures could increase significantly beginning in FY 2009.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law:** IWIF provides workers' compensation insurance coverage to Maryland businesses and acts as claims administrator for State employees for workers' compensation insurance. As required by the Maryland Workers' Compensation Law, employers must carry this insurance to pay claims arising from workplace accidents and

injuries to their employees. All expenses of IWIF are paid out of income from premiums paid and interest earned from investments. IWIF became subject to limited oversight by the Maryland Insurance Administration through Chapter 567 of 2000. The Insurance Commissioner may examine IWIF's compliance with policy forms and related provisions, provisions related to workers' compensation insurance – except for premium rate setting provisions, and unfair trade practices and other prohibited practices but cannot take any enforcement action with respect to those provisions.

Each workers' compensation insurer in Maryland, except IWIF, has to be a member of a workers' compensation rating organization and adhere to the policy forms filed by the rating organization.

**Background:** In Maryland, IWIF is the major insurer with approximately one-third of the market share. IWIF is not a member of NCCI. Consequently, IWIF's written premiums and claims experience is not reflected in NCCI's pure premium loss cost filings. The largest market share for any other single group of insurers is approximately 12%. The market share of companies is continually being monitored. Currently, 45 insurance groups have direct written premiums in excess of \$1 million and an additional 57 have direct written premiums of less than \$1 million for workers' compensation insurance in the State.

NCCI is a rating and data collection organization that collects data from all writers of workers' compensation insurance in Maryland except IWIF and group self-insurance funds. NCCI is the only workers' compensation rating organization currently operating in Maryland. The pure premium rate filed by NCCI for 2008 provided a 1.7% overall drop for most industries, compared to a 5.2% decrease in 2007. Of the 18 states maintaining competitive state funds, 16 report loss data to NCCI.

Insurers report their claims data to NCCI and, from the aggregate of these reports, NCCI determines loss costs for each occupation and industry in the State (there are more than 600 separate "class codes"). By statute, IWIF is exempt from NCCI affiliation and from filing its rates with the Maryland Insurance Administration. IWIF, instead, has developed its own loss costs data system, based solely on IWIF loss experience. Rates are formulated based on these data, in consultation with IWIF's outside actuary, and approved by the board for IWIF.

**State/IWIF Fiscal Effect:** IWIF advises that there would be no fiscal impact on the State, as NCCI data do not apply to self-insured entities, including the State. However, IWIF advises there would be substantial costs associated with system modifications as IWIF's data codes are not consistent with those for NCCI. Moreover, IWIF would have to pay transactional fees to NCCI. IWIF advises that additional staff would also be

needed to undertake the daily reporting of data. Costs could exceed \$1 million on an annual basis. NCCI estimates that the bill would cause an additional, but unknown, minimal increase in costs on the overall workers' compensation system. Further, the costs incurred by IWIF could be passed on to the State and IWIF policyholders.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Insurance Administration, National Council on Compensation Insurance, Workers' Compensation Commission, Injured Workers' Insurance Fund, Department of Legislative Services

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