

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1295
Economic Matters

(Delegate Krysiak, *et al.*)

Finance

Workers' Compensation - Uninsured Employers' Fund - Uninsured Employer Assessments

This bill increases the penalty assessment paid to the Uninsured Employers' Fund (UEF) when the Workers' Compensation Commission (WCC) awards a claim against an uninsured employer. The penalty assessment against the uninsured employer increases to at least \$500 but not more than \$1,000, as well as 15% of any award made in the claim, up to \$5,000 in any one claim.

Fiscal Summary

State Effect: Potential significant increase in special fund revenues to UEF due to the increase in penalty assessments against noncompliant employers. No effect on expenditures.

Local Effect: None.

Small Business Effect: Potential minimal. The increase in penalty assessments for failure to secure proper insurance may result in greater compliance, thereby leveling the playing field with respect to the payment of workers' compensation costs.

Analysis

Current Law: UEF pays workers' compensation benefit awards ordered by WCC in cases where uninsured employers default on payments. UEF derives its revenue from assessments on awards and settlements against employers or insurers. UEF imposes a 1% assessment and can increase the assessment by up to 1% if UEF determines the fund balance is inadequate to meet anticipated losses. The assessment can be suspended if the

balance exceeds \$5 million. UEF also collects penalty assessments from sanctions on uninsured employers and recovers benefits and medical expenses paid by UEF on uninsured claims.

UEF is authorized to institute a civil action to recover money paid under an award for workers' compensation of an uninsured employer. When WCC makes a decision on a claim against an uninsured employer, it may impose a penalty assessment on the employer of at least \$150 but not more than \$500 as well as 15% of any award made, up to \$2,500 for any one claim.

State Revenues: Revenues from penalty assessments on uninsured employers are paid to the UEF special fund. The extent to which UEF revenues increase is difficult to determine but may be significant.

For illustrative purposes only, UEF receives revenue under the bill from an increased penalty assessment base (at least \$500 and at most \$1,000) and an increased penalty assessment on awards (15% of the claim award, up to \$5,000). Based on UEF data from previous years, Legislative Services assumes an average of 103 UEF base penalty assessments and 106 penalty assessment awards per year. Assuming the maximum base penalty (\$1,000) is assessed in each case and the maximum award penalty (\$5,000) is assessed in each case, penalty assessment revenues owed to UEF increase by \$316,500 annually. Assuming a 20% collection rate, UEF may receive an additional \$63,300 in special fund revenue annually.

Additional Information

Prior Introductions: Legislation containing these provisions was considered in the 2009 session. HB 1436 passed the House and passed second reading in the Senate, but no further action was taken. Its cross file, SB 987, passed the Senate and received a favorable report from the House Economic Matters Committee, but no further action was taken.

Cross File: SB 955 (Senator Exum, *et al.*) - Finance.

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

Fiscal Note History: First Reader - March 1, 2010
mlm/rhh

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