

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
Third Reader

Senate Bill 695  
Finance

(Senator Beidle)

Economic Matters

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Labor and Employment - Uninsured Employers' Fund Board - Membership and Reserves

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This bill modifies the membership of the board of the Uninsured Employers' Fund (UEF) by expanding the number of members from three to five and altering minimum qualifications for board members. The bill also requires, instead of authorizes, the board to establish reserves to meet potential losses of the fund.

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Fiscal Summary

**State Effect:** Special fund expenditures for UEF increase minimally for additional compensation paid to board members beginning in FY 2026. The bill's requirement that the board establish reserves to meet potential losses is not anticipated to affect UEF operations or finances in the short term, as discussed below; revenues are, therefore, not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary/Current Law:** For general information on the workers' compensation system, UEF, and recent financial difficulties experienced by UEF, please see the **Appendix – Workers' Compensation, the Uninsured Employers' Fund, and the Subsequent Injury Fund.**

Under current law, the board of UEF includes three members: one that must represent labor; one that must represent management; and one that must represent the general public. The bill expands the board to five members and modifies qualifications of board members such that:

- two members must have substantial experience as officers or employees of a property and casualty insurance company;
- one must have substantial experience in the field of accounting or finances;
- one must be a policyholder of workers' compensation insurance issued in the State; and
- one must represent the general public.

Both under current law and the bill, board members are entitled to compensation for each day the member is engaged in duties of the office and reimbursement for expenses under the Standard State Travel Regulations.

Under current law, the board *may* establish reserves to meet potential losses of UEF. Under the bill, the board *must* establish reserves to meet potential losses of UEF.

**State Fiscal Effect:** The bill requires, instead of authorizes, the board of UEF to establish reserves to meet potential losses of the fund. In the short term, this requirement is not anticipated to affect UEF's operations or finances because UEF advises that it already has reserves for its current cases and is, therefore, meeting the bill's requirements.

However, as discussed in more detail in the attached appendix, UEF has faced significant financial difficulties in recent years. Absent a solution to address those financial difficulties, the bill could exacerbate UEF's financial situation in future fiscal years; however, any such impact cannot be reliably ascertained at this time.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Uninsured Employers' Fund; Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2025  
km/smr Third Reader - March 14, 2025

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## **Appendix – Workers’ Compensation, the Uninsured Employers’ Fund, and the Subsequent Injury Fund**

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### *Workers’ Compensation – Generally*

Generally, each employer in the State must secure workers’ compensation for all covered employees of the employer by maintaining insurance with an authorized insurer or, in limited circumstances, through self-insurance. An individual is presumed to be a covered employee while in the service of an employer under an express or implied contract of apprenticeship or hire. To overcome the presumption of covered employment, an employer must establish that the individual performing services is an independent contractor in accordance with the common law or is specifically exempted from covered employment under the Maryland Workers’ Compensation Act.

If an employee covered under workers’ compensation insurance has suffered an accidental personal injury, compensable hernia, or occupational disease, the employee is entitled to compensation benefits paid by the employer, its insurer, the Subsequent Injury Fund (SIF), or the Uninsured Employers’ Fund (UEF), as appropriate. Workers’ compensation benefits include wage replacement, medical treatment, and vocational rehabilitation expenses.

### *Uninsured Employers’ Fund and Subsequent Injury Fund – Generally*

UEF and SIF are separate and distinct State agencies that each support the State’s workers’ compensation system in a different way. UEF directly pays a claimant’s compensation benefits and medical expenses in the event that an injured employee who should be receiving workers’ compensation benefits is not properly compensated by the employer or the employer’s insurer (which may happen because the employer has not purchased workers’ compensation insurance or becomes insolvent). SIF assumes the financial responsibility for a worker’s preexisting disability should the worker sustain an accidental workplace injury, thereby encouraging the hiring of such workers.

UEF and SIF are both special funded, and their revenues are primarily derived from two assessments (one for each agency) on awards against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements. The SIF assessment also applies to payments made by the Property and Casualty Guaranty Corporation on behalf of insolvent insurers; however, this source of revenue is relatively minimal.

*Recent Legislative Action to Address Uninsured Employers' Fund Financial Difficulties*

UEF has faced significant financial difficulties in recent years. During the 2020 legislative session, the Department of Legislative Services projected that UEF would become insolvent without financial intervention. Consequently, Chapter 495 of 2020 temporarily adjusted the distribution of the assessments between UEF and SIF, providing UEF with an additional \$4.0 million in fiscal 2021, before reverting to the previous distribution in subsequent years. **Exhibit 1** shows the distribution of the assessments under Chapter 495.

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**Exhibit 1**  
**Distribution of Assessments to UEF and SIF under Chapter 495 of 2020**  
**Fiscal 2020-2022 and Subsequent Years**

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022+</u>
SIF Assessment	6.5%	5.5%	6.5%
Base UEF Assessment	1.0%	2.0%	1.0%
Additional UEF Assessment	1.0%	1.0%	1.0%

SIF: Subsequent Injury Fund  
UEF: Uninsured Employers' Fund

Notes: The distribution in fiscal 2022 has continued in future fiscal years under current law. UEF may implement its additional assessment when its reserves are inadequate to meet anticipated losses, as specified.

Source: Department of Legislative Services

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Even with the additional funding provided by Chapter 495, UEF has continued to experience financial issues. To assist in addressing these issues, the General Assembly passed Senate Bill 216 of 2024 (enacted as Chapter 78) and used the Joint Chairmen's Report (JCR) to require the Workers' Compensation Commission (WCC) and UEF to form a workgroup to study and report on UEF's financial difficulties and possible solutions to ensure UEF's long-term financial health.

Chapter 78 increased the maximum penalty that WCC is authorized to impose on an employer who fails to secure and maintain workers' compensation insurance for its covered employees from \$10,000 to \$25,000. These penalties directly accrue to UEF; however, the aforementioned assessment has remained its primary funding source. In response to the JCR, [UEF](#) and [WCC](#) each prepared a separate report discussing UEF's financial difficulties and possible reforms, both legislative and administrative.