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THE SUBSEQUENT INJURY FUND
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Subsequent Injury Fund

FY 2021 Budget Hearing Testimony

House Appropriations Committee
Public Safety Administration Subcommittee
120 House Office Building
Annapolis, MD 21401
January 22, 2020

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Suite 3 West, Miller Senate Office Building
Annapolis, MD 21401
January 24, 2020

The Subsequent Injury Fund is an independent agency, created under Section 802 of the Maryland Annotated Code. The Fund was created to encourage the hiring of workers with pre-existing disabilities by assuming financial responsibility for a permanent impairment due to an accident, disease or congenital condition that is, or is likely to be, a hindrance to employment when combined with the effects of a subsequent compensable job related accident, personal injury or occupational disease.

The Subsequent Injury Fund annual operating budget and benefit payments are exclusively funded from a 6.5% assessment on awards passed by the Maryland Workers' Compensation Commission against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements.

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The fiscal 2019 closing Subsequent Injury Fund balance was \$100,509,872.00. This represents a one year 5.5% balance increase. The 2020 fiscal year closing balance is currently estimated to be \$105,546,372.00 million.

Improvements to SIF accounting department and case control electronic data collection and retention systems since a 2011 actuarial study contributed to a more detailed and accurate FY 2016 analysis.

Subsequent Injury Fund fiscal 2019 assessments exceeded fiscal 2018. The March 2016 actuarial study concluded that the Fund had unfunded liability of approximately \$181.2 million (discounted at three percent). The unfunded liability represented a 29 percent decrease from the June 2011 actuarial study. The March 2016 actuary recommended the current 6.5% assessment rate remain unchanged with formal reassessment in four to five years.

The SIF concurred with the actuary recommendations. Monthly assessment collections and benefit payments in relation to the reserve balance are closely monitored. The unfunded loss liability and assessment rate will be addressed during the next actuary study, scheduled for FY 2021. A system is in place for cross-monitoring of awarded claims data accuracy by the SIF fiscal and claims departments. The SIF updated case control system includes the ability to capture statistics for the impleaded but not awarded claim data file.

The SIF is well positioned to pay current and future benefits to injured Maryland workers.

Respectfully submitted,
Edgar G. Dodd, III
Director
Subsequent Injury Fund

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Agency Mission

Pursuant to the enabling legislation in the Labor and Employment Article of the Maryland Annotated Code, Section 9-802, this agency exists to encourage the hiring of workers with pre-existing disabilities by assuming financial responsibility for the combined effects of a pre-existing disability and an accidental workplace injury.

The Subsequent Injury Fund (SIF) reviews and investigates workers' compensation claims that involve pre-existing health conditions that substantially increase the disability of injured workers. The liability of employers' insurers is limited to compensation for the damages caused by the current injury, and the SIF incurs all additional liability from the combined effects of all injuries and/or conditions.

The SIF manages a non-budgeted fund from which workers' compensation benefits are paid to eligible claimants. The income to the Fund is derived from assessments based upon awards of compensation for permanent disability which are paid by workers' compensation employers/insurers. The SIF's costs of operation are supported by the assessments mentioned above, making it a Special Fund agency.