



Senate Finance Committee
March 3, 2020

Testimony of Chesapeake Employers' Insurance Company and Injured Workers' Insurance Fund in Support of Senate Bill 616

Senate Bill 616 revises certain provisions of Section 10 of the Labor and Employment Article dealing with the relationship between Chesapeake Employers' Insurance Company (Chesapeake) and the Injured Workers' Insurance Fund (IWIF) in connection with the administration of the State's workers' compensation program. For the following reasons, Chesapeake and IWIF support Senate Bill 616.

In 2013, the legislature converted IWIF to a nonprofit, nonstock, private insurance company, naming the new company Chesapeake Employers' Insurance Company (Chesapeake). This occurred against the backdrop of the administration, at that time, requesting a transfer of funds from IWIF to support state budgetary issues as well as the insurance industry requesting IWIF set its rates according to rules set forth by the National Council of Compensation Insurers (NCCI) as opposed to setting rates internally. Those two "demands" upon IWIF lead to Chesapeake's enabling legislation.

With this privatization, however, the legislature provided that IWIF continue to function as an independent state agency to perform the third party administration services for the state's workers' compensation program. And, most importantly, while IWIF could hire no new personnel after October 1, 2013, the legislature determined that "the interests of employees of the Fund (IWIF) would be satisfied by ensuring that current employees have the option to remain state employees of the Fund" and the "interests of employees of the Fund would further be satisfied by ensuring that current long term state employees who remain state employees of the Fund after the conversion... shall remain in the state retirement system and, therefore, would not be unfairly penalized by being permanently forced out of the state retirement system after the conversion." IN 24-302. It is this finding of the legislature that Senate Bill 616 seeks to reinforce.

Currently, Section 10 of the Labor and Employment Article requires that IWIF "work" be performed by IWIF, or state personnel. With the inability to hire additional Fund personnel, the Fund requires assistance from Chesapeake personnel to administer the workers' compensation program of the State. With insight from the State Retirement System, Senate Bill 616 revises Section 10 to allow for the assistance of Chesapeake personnel with the program, while maintaining proper safeguards to ensure the adherence to relevant tax rules in connection with the state pension system. It does so in for ways:

1. It allows non-supervisory personnel of Chesapeake to perform work in connection with the state program;
2. It requires the President of the Fund to be a Fund employee;
3. It changes the structure of the IWIF Board of Directors to ensure proper "state" oversight of the Fund; and
4. It requires IWIF to continue as the third party administrator of the state program.

In essence, the bill changes nothing in terms of everyday operations or IWIF's interaction with the public. The bill's focus is entirely internal and has no effect and makes no change to how business is currently conducted. Most importantly, the bill continues the protection of IWIF's employee's participation in the state pension system that the legislature focused upon in 2013 by setting up an internal apparatus that satisfies the guidelines of the Internal Revenue Service and the Retirement system.

For the foregoing reasons, Chesapeake and IWIF respectfully request a favorable report on Senate Bill 616.

*Contact: Carmine G. D'Alessandro
Chief Legal Officer
Chesapeake Employers Insurance Company/IWIF
(410)-494-2305
cdalessandro@ceiwc.com*