

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1522

STATE OF NEW JERSEY

210th LEGISLATURE

DATED: APRIL 11, 2003

SUMMARY

Synopsis: Concerns workers' compensation for occupational disease claims and workers' compensation benefit rates for surviving dependents.

Type of Impact: State costs related to workers' compensation claims

Agencies Affected: State Government as an employer

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Costs - Payment of Workers' Compensation Claims	\$80,000	\$80,000	\$80,000

- ! The Office of Legislative Services (OLS) estimates that Section 1 of the bill could potentially cost the State at least \$80,000 a year as an employer, based on reasonable projected scenarios.
- ! The provisions of section 2 of the bill, which relates to asbestos related occupational disease claims, may cost the State an indeterminate amount as an employer. However, charges to the Second Injury Fund would not effect the State because the State is exempt from paying into the fund.

BILL DESCRIPTION

Senate Bill No. 1522 (1R) of 2003 amends R.S. 34:15-13 to compute workers' compensation death benefits for surviving dependents based on 70 percent of the employee's wages, regardless of the number of dependents. Currently, compensation for death claims is set at 50 percent of the employee's wages for one surviving dependent, plus 5 percent for each additional dependent up to a maximum of 70 percent. The bill provides that in the case of a claim for compensation for an occupational disease which resulted from exposure to asbestos, compensation shall be made from the Second Injury Fund, if after due diligence: (1) the workers' compensation insurer, the employer, or the principals of the employer where the claimant was last exposed cannot be

located or (2) the employee making the claim worked for more than one employer, during which time the exposure to asbestos may reasonably be deemed to have taken place, but the employer or employers where the petitioner was last exposed cannot reasonably be identified. In such cases, an application shall be made to the Second Injury Fund and any award by a judge of compensation shall be payable from the fund. The Second Injury Fund shall have the right of subrogation against any insurer or employer identified as liable or against the stock workers' compensation security fund or the mutual workers' compensation fund, if an insolvent insurer is determined to be liable. Compensation shall be based on the date of last exposure if known, as determined by a workers' compensation judge.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

Total workers' compensation cash benefits in death cases in the State have been not more than \$12 million for most of the last several years according to data made available from the Compensation Rating Insurance Bureau (CRIB). The Office of Legislative Services (OLS) determines that Section 1 of the bill will cost the State approximately \$80,000 a year. This is based on a reasonable projected scenario which assumes an average claim currently has two dependents (make the average current benefit amount equal 55 percent of the workers' wages) and the cap on all claims of 75 percent of the average weekly wage, currently \$630, for all workers will reduce the average claim under the bill from 70 percent to 65 percent, there would be a 10 percent increase in the average benefit as a portion of wages, of 18 percent increase over the previous amount paid. This would produce a total cost for all employers of approximately \$2 million, or 0.2 percent of all workers' compensation benefits. With respect to the costs to the State as an employer, this 0.2 percent increase applied to the total \$40 million in workers' compensation for State employees appropriated in the current budget, would increase State costs approximately \$80,000 per year.

The provisions of section 2 of the bill, which apply only to claims for occupational disease caused by asbestos, does not increase the amount of benefits to be paid in claims, but reapportions the liability to pay for any such claim among employers, insurers and the Second Injury Fund, which is supported exclusively by assessments imposed on employers and insurers. It is not possible to determine the net effect to the State as an employer because there is no data which details the amount of asbestos claims or their ultimate costs as it relates to the provisions in section 2 of the bill. However, charges to the Second Injury Fund would not impact the State because the State is exempt from making payments to the fund.

Section: *Commerce, Labor and Industry*

Analyst: *Sonya S. Hough*
Assistant Fiscal Analyst

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.