



PETER GORE  
SENIOR GOVERNMENT AFFAIRS CONSULTANT  
[pgore@mainestreetolutions.com](mailto:pgore@mainestreetolutions.com)

45 MEMORIAL CIRCLE, SUITE 202  
AUGUSTA, MAINE 04332-5307  
207-622-7432 • FAX 207-622-3117

**Testimony of  
Peter M. Gore  
Government Affairs Consultant  
Maine Street Solutions  
On behalf of the  
Maine State Chamber of Commerce  
And  
Maine Employers Mutual Insurance Company  
Before the Joint Standing Committee on Labor and Housing  
in opposition to  
L.D. 1896, An Act to Index Worker's Compensation Benefits to the Rate of Inflation  
May 11, 2023**

Sen. Tipping, Rep. Roeder and members of the Joint Standing Committee on Labor and Housing, my name is Peter Gore, and I am a Government Affairs Consultant with Maine Street Solutions, and I am here on behalf of two of my clients, Maine Employers Mutual Insurance Company (MEMIC), this states largest commercial market workers' compensation insurer, and the Maine State Chamber of Commerce, a statewide business association representing both large and small businesses speaking to you today in strong opposition to **L.D. 1896, An Act to Index Worker's Compensation Benefits to the Rate of Inflation.**

L.D 1896 proposes to increase worker's compensation benefits for all injuries on a yearly basis as indexed by the consumer price index (CPI). It does not state which measurement of CPI will be used, who will calculate the indexing, or when employers and commercial market carries will be notified of the required adjustment. The bill appears to make the change effective at the first anniversary of the date of injury, without any waiting period, and also appears to be retroactive to all dates of injury, creating a dramatic and significant unfunded liability that would likely amount to millions, if not tens of millions of dollars. As we have in the past, we are strongly opposed to this change.

In 2019, the Labor and Housing Committee considered nearly 30 legislative workers compensation changes to the 1993 reforms. The Maine State Chamber was part of a group of stakeholders, that included representatives of organized labor and the Governor's office, who worked to craft a compromise that did make changes – increases in injured worker benefits - at that time. One of the most significant changes to our system was the reinsertion of cost-of-living adjustments (COLA's) back into our comp law. Not all injured workers receive COLA's, instead it was agreed that only those injured workers with the greatest need would see annual benefit increases. Thus. After 1/1/2020, any individuals who fall under Section 212 of our Act- those who are totally incapacitated and are deemed to lack any work capacity of any kind – receive COLA's after they have received 260 or five years, worth of benefits.

Prior to the bi-partisan reforms that have governed this state for 30 years – the longest period of workers comp stability in this state history – the presence of COLA’s in our system - along with our excessive litigation and legal costs were identified as two of the leading cost drivers leading to the collapse of our workers’ compensation commercial market. The fact is, annual cost of living adjustments adds significant cost to comp premiums, and thus the cost of doing business here. It may interest you to know, that in 1998, when similar legislation was discussed, the retroactive, portion of the proposal – the same type contained in LD 1896 – was estimated to result in a \$29-\$39-million-dollar unfunded liability. In today’s dollars, according to the Federal Reserve Bank of Minneapolis, that equates to roughly \$55 - \$65 million. A staggering number that would be catastrophic for our market.

The Maine State Chamber of Commerce has steadfastly advocated for stability in Maine’s workers’ compensation system. The reforms passed by the state Legislature now more than 30 years ago, have been a critical element to Maine’s economic health, helping us to attract and retain companies who, absent the reforms, would have abandoned Maine long ago. Instead of being a deterrent to economic development, the status of our workers’ compensation system has provided the state with an economic development tool to attract new jobs and new opportunities for Maine people.

While some may argue the merits, it is true that Maine no longer has the most expensive workers’ compensation system in the country. Yet according to the report by the National Council on Compensation Insurance (“NCCI”) on Economic Conditions for the State of Maine, Maine’s comp benefits are currently 5th highest in the nation, above the median of 38 other states for which they price. The State of Oregon’s state ranking survey – long considered the standard for nationwide comp costs, places us at the 9<sup>th</sup> most costly state – a significant uptick from 19<sup>th</sup> most costly just in 2018. These numbers are critical, as it was the overall goal of the Blue-Ribbon Commission on Workers’ Compensation, the commission responsible for developing the framework of our current act, to have Maine’s workers’ comp system and costs lie at the middle of the other 50 states. By either measure above, we are still considered a high-cost state.

More importantly, Maine has seen a dramatic decrease since 1992 in incidences of lost time injuries. Fewer lost time injuries are taking place and the severity of those that do have dropped dramatically. Workers who are injured on the job are returning to work faster within their existing work capacity due to the return-to-work programs many employers have instituted. Returning a worker to their job within their capacity in most cases improves the employee’s moral while at the same time saving costs for the employers.

Leading up to 2019, and in the subsequent 4 years leading to today, Maine has enjoyed a period of relative stability when it comes to workers’ compensation public policy. Stability and certainty are both critical elements for controlling costs, but also in market perceptions. For a long period of time, Maine’s workers’ compensation market was viewed nationally as extremely volatile – to the point of avoidance for both insurers and businesses. The reforms passed in 1992 helped change that. But it takes very few public policy changes to reinsert instability and higher costs back into the systems. Litigation, which is already under consideration in this legislature, and COLA’s and unfunded liabilities as represented in LD 1896 are two sure was to destabilize our comp system, and our economy. Because of the potential significant costs associated with this bill and the detrimental effect it may have on our overall workers’ compensation system and our economy as a whole, we urge this Committee to reject LD 1896. Thank you.