

**WORKERS COMPENSATION ASSOCIATION OF RHODE ISLAND
EMPLOYERS
2 DOUGLAS PIKE
SMITHFIELD, RI 02917**

February 4, 2025

The Honorable Marvin Abney
Chairman
House Finance Committee
House of Representatives
State House
Smith Street
Providence, RI 02903

Re: H 5076, Article 2, Section 2

Dear Chairman Abney:

Please accept this letter in your capacity as Chairman of the House Finance Committee. We write in opposition to H 5076, Article 2, Section 2 as written. Please share this letter with members of the Committee.

We are an Association that is made up of Rhode Island employers that employ thousands of Rhode Island employees. A well-functioning workers' compensation system is imperative to the benefit of our member companies, their employees, and our state. Passage of this proposed legislation as written would be contrary to supporting a well-functioning business climate and a healthy and equitable workers' compensation system.

The proposed 2026 budget (H 5076, Article 2, Section 2) has a proposal to amend and increase the Indirect Cost Recovery statute of RIGL 35-4-27. If passed, this change will have a direct impact on business and increase the

cost of workers' compensation insurance to the detriment of every single employer in Rhode Island.

The Administrative Fund at the Department of Labor & Training is a "Restricted Receipt Account" subject to this statute and is capitalized annually by an assessment of the workers' compensation insurance carriers and self-insured employers based on the premiums paid for Rhode Island coverage. The Rhode Island assessment is among the highest in the country. In September of 2024, the assessment was raised unilaterally by the DLT from 5.5% of written premium to 6.5% for almost a 20% increase! By design, 6.5% of every employer's annual premium is supposed to fund our state's workers' comp system. While some insurance carriers add the cost of the assessment as a separate line item on the insurance bill, other carriers absorb the cost. Either way, the increased assessment leads to increased premiums.

We can only speculate about the reasons for the 2024 increase in the assessment. But one of the primary reasons must be that since 2005, ten percent of the total, or over \$20 million dollars, has been taken from the comp system by the "Indirect Cost Recovery." Article 2, Section 2 of the Budget proposes to increase this "Indirect Cost Recovery" by 50% to a 15% taking! This means that over \$3 million dollars per year, paid by employers, will be taken out of the comp system. Of course, to fill this void, the annual assessment rate will have to be increased again. All of this portends a never-ending cycle of increased costs to the Rhode Island employer, and none of it benefits the system, the employer or the injured worker.

These continued increases will create instability and increase employer paid premiums, neither of which helps injured workers. Employers will leave the state and insurance carriers will stop writing in Rhode Island. The workers' comp system can, and should, no longer be subject to this statute. Enough is enough. We ask that you amend the statute and the proposed budget to add the "Administrative Fund" to the list of exceptions to this statute. The effect of this will be to put the employer's money where it is supposed to be: supporting a stable workers' comp system to the benefit of all.

We welcome the opportunity to discuss this concern with you or any other interested person at your convenience.

Very truly yours,

Brad Dean, Sr.
Dean Warehouses
President, WCARI

CC: Speaker K. Joseph Shekarchi
Leader Chris Blazejewski
Heather Ross, Atlas Pallet
Frank Parella, Centrex
David Chenevert, RI Mfrs.