OFFICE OF STATE TREASURER DENISE L. NAPPIER

NEWS

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Most Connecticut Businesses Will Pay Lower Assessments in FY2007 to Treasury's Second Injury Fund

Rates Paid by Businesses Have Not Increased for Eight Consecutive Years

Connecticut Treasurer Denise L. Nappier announced today that the vast majority of state businesses will see a reduction in the amount of money they will be required to contribute to the state's Second Injury Fund for fiscal year 2007, which begins July 1, 2006.

Nappier said that nearly 90% of Connecticut businesses will receive assessments between 5% and 15% lower than the current fiscal year. The lower assessments for the coming year follow rate reductions, that took effect last July 1, which reduced rates paid by businesses in the state by as much as 38% from the previous year.

It is estimated that insured businesses in Connecticut will pay $47 million in assessments in the current fiscal year and $35 million in FY 2007, down from $72 million in FY 2005 *(see chart p. 2)*.

ASSESSMENT RATES HAVE NEVER INCREASED DURING NAPPIER ADMINISTRATION

The overall assessment rate in the coming fiscal year will remain unchanged. That's the eighth consecutive year without a rate increase, unprecedented in the history of the Fund, which is financed by assessments on Connecticut employers to cover the costs of injured worker claims. Under state law, the Fund is administered by the Treasurer's Office.

Good news for Connecticut businesses: in the fiscal year that begins on July 1, nearly 90% will pay less to the Second Injury Fund, but benefits paid to injured workers will not be compromised.

Since 1998, overall rates paid by employers through insurance companies have dropped by 60%; self-insured employers have seen a 42% reduction. The rates are now the lowest they've been in a decade, with **total savings to Connecticut businesses from reduced rates and lesser payments expected to reach $235 million.**

Observers had anticipated an increase in business payments for the coming year because the base upon which the assessment is established had diminished due to provisions of a new law effective on July 1, 2006. However, because of management reforms and tighter fiscal controls, rates will be maintained and the dollar amounts paid by insured businesses will be reduced. Under the provisions of the state law, businesses that are self-insured will realize the benefits of the smaller base with lower payments beginning in FY 2008.

"Sensible, sound fiscal planning, coupled with bold and effective management reforms have brought solid results for Connecticut businesses, making a difference where it counts most, on the bottom line," said Treasurer Nappier. The Treasurer said that assessment rates for businesses

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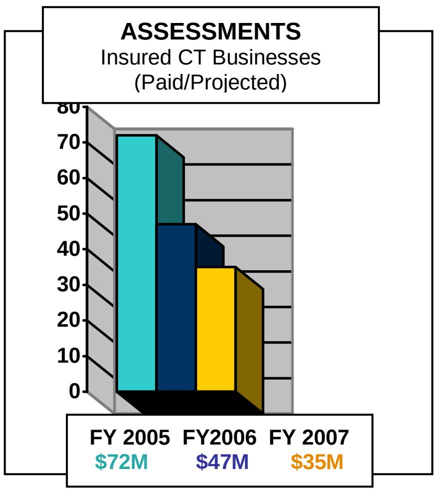
using insurance companies will remain at 4.0% for regular policies and 3.2% for assigned risk policies. The rate for self-insured employers will remain at 8.4%.

EARLY DEBT RETIREMENT PROVIDES ADDITIONAL SAVINGS

The announcement of no rate increase for the fiscal year beginning July 1, 2006 and continuing reductions in unfunded liabilities, come as a direct result of long-term initiatives designed to return the state-operated workers' compensation insurance fund to fiscal stability. Nappier said the program's unfunded liabilities have now dropped by 46%, from $838 million in 1999 to $453 million currently, as a result of a prudent settlement strategy in active cases. The Treasurer also noted that the Fund's fiscal policies contributed to an upgrade by the fiscal rating agencies.

Providing additional savings to businesses through sound fiscal management, the State Treasurer's Office completely eliminated the $46.4 million outstanding debt of the Second Injury Fund in June 2005, removing the 20-year obligation authorized in 1995 to finance settlements of claims and ending the need to assess businesses for the debt component of the program -- a full decade earlier than the 2016 final maturity of the bonds. **This initiative will save Connecticut employers $45 million in future interest costs.**



REVISIONS TO STATE LAW EFFECTIVE JULY 1 RESULT FROM COLLABORATIVE EFFORT

A series of statutory changes, recommended by a working group of businesses assembled by the Nappier administration and approved last year, takes effect on July 1, 2006, and will ensure that businesses making a good-faith effort to comply with state law are not penalized unnecessarily. The law also clarifies definitions while changing the method of assessing insured employers, exempts the Fund from apportionment claims or claims brought on behalf of insolvent insurers, and caps retroactive liability of the Fund at two years for reimbursement claims.

The new law, approved a year ago, sets an annual interest rate of 6% on underpaid assessments, when an audit determines that a company has improperly reported or paid a lower amount than is owed. It distinguishes between interest and penalties, by assessing the full 15% penalty only when there has been a failure to pay any assessment. It will be the first time that such a distinction has been made in state law, affording the Treasury an opportunity to recognize good-faith efforts by Connecticut businesses.

This legislation is the outcome of an historic Second Injury Fund Roundtable, hosted by the Second Injury Fund Advisory Board. Participants of the forum represented a broad cross section of stakeholders: self-insured employers, insurance companies, policy makers, legislative leaders and state officials. The Second Injury Fund is a state-operated workers' compensation insurance fund that assesses Connecticut employers to cover the costs of injured worker claims. The Fund protects a variety of workers, including those with bankrupt or uninsured employers.

"We have been able to reduce or maintain rates consistently, at a time when other business costs have been escalating, offering a measure of relief to Connecticut employers," Nappier said. "And we have done so while remaining true to our mission to provide quality service both to the injured workers and employers whom we jointly serve."

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