



Connecticut Business & Industry Association

**Testimony Of
Kyra P. Nesteriak
Government Affairs Manager
Before The
Labor & Public Employees Committee
Legislative Office Building
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Good afternoon, my name is Kyra Nesteriak and I am government affairs manager for the Connecticut Business and Industry Association (CBIA). CBIA represents approximately 10,000 companies across the state of Connecticut, ranging from large corporations to small businesses with one or two employees. The vast majority of our members have fewer than 50 employees.

We are constantly hearing from our member companies that the high cost of doing business in Connecticut is a major factor in whether or not companies continue to invest and create jobs here or elsewhere. More and more, workers' compensation costs are becoming an increasing factor in this decision. According to the 2005 CBIA Membership Survey, 65% of surveyed Connecticut executives said that workers' compensation costs are key factors in decisions about hiring more workers or company expansion/relocation plans.

Nearly 100 years ago, Connecticut set up a workers' compensation system as a way to protect employees and employers alike, regardless of fault.

The system worked well for many years — until richer injury awards, higher numbers and types of claims, administrative backlogs, spiraling medical costs and increased litigation caused a workers' compensation crisis in Connecticut. A "perfect storm" of all of those factors caused Connecticut's workers' compensation costs to skyrocket in the 1980s. Payouts to claimants increased 299%, caseloads rose from 16,000 in 1976 to 40,000 in 1989, and the average cost per case was three times the national average in 1988.

The out-of-control system forced many Connecticut businesses to shed or move jobs out of the state until the General Assembly enacted two packages of reforms.

During the early 1990's, after much research and deliberation, the Connecticut General Assembly passed sweeping reforms to the state Workers' Compensation Act. This was a successful attempt to bring balance to Connecticut's workers' compensation system.

The reforms touched every aspect of the system. Administrative reforms were made that improved the way cases are handled, helped eliminate the backlog in hearings, made some positive benefit adjustments and revamped the system's administration. And that further improved the system and kept workers' compensation benefits among the most generous in the nation. The end result was a workers' compensation system which is more effective and efficient.

And by 1998, Connecticut's workers' compensation costs had moved from among the worst in the U.S. to about the middle of the states.

And the reason that the reforms work so well is because they were passed as a complete package. Connecticut's workers' compensation reforms have been noted nationally as successes and copied by other states.

However, it is important to remember that although some of the benefits were reduced, Connecticut's system is still one of the most generous in the nation. According to the Actuarial and Technical Solutions, Inc. 2006 comparison of 45 states, Connecticut workers' compensation costs rank as the 9th highest in the nation.

That is why the business community remains united in our efforts to maintain the reforms in their entirety, and in our opposition to any new costly measures.

CBIA opposes SB 461 AAC Notification of the Availability of Workers' Compensation to an Injured Employee. This measure would mandate that employers must provide to their employees, in writing, information about the availability of workers' compensation. It would also charge the state Workers' Compensation Commission to adopt regulations.

Passage of this measure would result in an additional cost of doing business for employers and an administrative burden. In addition, in some instances, it is not immediately determined if an injury is work-related or not. So this could result in employers expending manpower and resources for an injury that is not work related.

Once again, we are seeing that workers' compensation costs are on the rise. The business community urges you to reject measure that would either repeal the workers' compensation reforms or add new measure that would increase costs.

New mandates of any kind weaken Connecticut's prospects for economic competitiveness and continue to reinforce the notion that Connecticut does not want businesses to relocate the state or to expand in the state.

We respectfully ask the committee to **reject SB 461.**

Thank you for the opportunity to comment today.