



TESTIMONY IN SUPPORT OF SB 1024

Senator Crisco and Representative Fontana, my name is Tom Carusello and I am the Political Director for the CT AFL-CIO. We represent over 200,000 working men and women in the State of Connecticut.

I am here today, on behalf of those men and women, to strongly support S. B. No. 1024 (RAISED) AN ACT ESTABLISHING A STATE WORKERS' COMPENSATION INSURANCE PROGRAM. This bill would create a competitive worker compensation insurance fund which would reduce costs for businesses in CT and bring some discipline to the market.

This bill does not re-invent the wheel. The wheel has already been invented and it works just fine. There are 19 states that have some form of state worker compensation fund. There are 5 states with exclusive state funds and there are 14 states with competitive funds.

Understand that this fund would not be a state agency but a state chartered mutual insurance company to sell insurance in the worker compensation market.

One of the most business friendly actions that we, as a state, can take is to reduce costs to businesses of worker compensation insurance and these funds have shown that ability all over the country. At this particular juncture for our economy, this fund can lower costs for businesses and reduce pressure on employees.

The fund would be a mutual insurance company where the profits, at year's end, would be returned to the shareholders, who in this case, are the businesses large and small who have purchased insurance from this fund. These types of funds are returning millions of dollars every year to the businesses that purchase insurance from them.

A CT OLR Report, from 2007, shows that CT compensation insurance premiums are 14<sup>th</sup> costliest in the U.S. and 4<sup>th</sup> costliest in the North East. In addition, an actuarial study done by the Center for Justice and Democracy, showed that compensation insurers' after tax profit, in CT, averaged 14.7 percent which is more than double the national average of 6.8 percent.

What kind of help would it be for CT businesses if you passed legislation that returned 14.7 percent of premium costs to the business community without reducing benefits to injured workers?

But, I am not here as a representative of the business community. We support this legislation because it

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also reduces pressure on business to reduce benefits. While Beacon Mutual, the RI competitive fund, has been returning money to business and increasing benefits, benefits paid to injured workers decreased nearly 40 percent as a percentage of payroll in CT.

The amount that can be returned to the businesses who buy in is staggering. From 1993 through 2004, worker compensation insurance companies earned an astonishing after tax profit of \$882.53 million. That is nearly a billion dollars that could have been saved by businesses in CT for job creation, expansion and other purposes, if we had a fund as so many other states have.

Instead, we have succeeded in having a system where the premiums are high, benefits to injured workers have been drastically cut but after tax profits for insurers are astronomical. A competitive state fund would bring a level of competition and discipline to this market while helping injured workers and businesses alike. It is not often there is a bill that's a win/win but SB 1024 is one.

We, at the CT AFL-CIO strongly urge passage of this important legislation.

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