



Testimony of Denise L. Nappier
Treasurer of the State of Connecticut

SUBMITTED TO THE LABOR & PUBLIC EMPLOYEES COMMITTEE
FEBRUARY 26, 2009

Senator Prague, Representative Ryan, and members of the Labor and Public Employees Committee, thank you for the opportunity to offer testimony in support of *Raised Bill No. 979, An Act Concerning Interest Penalties on Late Payment of Assessments to the Second Injury Fund*.

This proposal is a technical amendment to Sec. 31-354(a) which would clarify an ambiguity in the penalty provision for late payment by employers and insurance companies of assessments to the Second Injury Fund.

By way of background, in 2005 I proposed legislation that reflected the recommendations of the Second Injury Fund Advisory Board and my office that clarified Second Injury Fund's statutes, practices and formulas for assessments. We successfully achieved consensus on a number of important issues which resulted in passage of Public Act 05-199. Among these issues, there was amendment to the interest penalty provision of Section 31-354(a) to provide a late penalty of fifteen per cent or a minimum of fifty dollars on unpaid assessments or surcharges.

Since passage of this act, certain filers have construed the current statute to mean that an interest penalty of \$50 dollars is the maximum required by statute. Adding the words "whichever is greater" to Section 31-354 clarifies which penalty is due the Treasurer by those who fail to timely pay the assessment. Passage of this proposal would ensure that the legislative intent of imposing a meaningful penalty for late payments is realized. This technical change has the support of the Second Injury Fund Advisory Board whose members are representative of the industry.

The fiscal impact of the problem created by the current statute is as follows: In the fourth quarter of FY 2008, the Second Injury Fund collected a total of \$11.5 million in assessments from 551 companies. Of these companies, 70 paid their assessments after the due date. Had the law clearly allowed the Second Injury Fund to impose a 15 percent penalty for late filings, the Fund could have collected approximately \$244,803 in penalties from those companies submitting assessments. In other words, 12% of the companies filing assessments with the Fund filed late during the fourth quarter of 2008.

It bears noting that the Treasury believes that this proposal represents clarifying language that will not impose additional burdens on our business community during these difficult times. I am pleased that during the past ten years of my administration, we have maintained or reduced the assessment rates on insurers and employers. This was accomplished through prudent management of our claims base and judicious settlement of outstanding claims. The cumulative effect of the rate reductions since 1999 has been a net savings of \$404 million for Connecticut businesses. This also reflects a total reduction of 70% in rates assessed for insurance companies and 67.6% for self-insured employers. In these uncertain times, my administration continues to work diligently to pass along savings to Connecticut businesses without compromising any benefits due to Connecticut workers.

For all of these reasons, I urge your favorable consideration of this bill.