



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

FTR

Testimony of the Connecticut Insurance Department Before the Insurance and Real Estate Committee

March 9th, 2010

Raised Bill 5308—An Act Establishing a Nonprofit Workers' Compensation Insurance Company

The Connecticut Insurance Department would like to offer the following comments in opposition to Raised Bill No. 5308—An Act Establishing a Nonprofit Workers' Compensation Insurance Company.

First, the establishment of a State Workers' Compensation Insurance Company, which is a mechanism that essentially competes with the private sector, is unnecessary. The bill states that the company will serve as the workers' compensation carrier of last resort; however, it is unclear whether the intent is to have this company be the exclusive market of last resort. As you may know, the Connecticut Workers' Compensation Insurance Plan currently serves as Connecticut's residual market mechanism for workers' compensation insurance for persons who are unable to procure such insurance in the voluntary market.

Connecticut has a very competitive and healthy Workers' Compensation system. In fact, Connecticut was chosen by the National Council of Compensation Insurers (NCCI) to pilot a market assistance plan that helped to depopulate the assigned risk market in Connecticut. This and other depopulation programs have reduced the number of insureds in the assigned risk workers' compensation market to approximately 4.8% of the overall workers' compensation premium dollars in the state. The current volume of assigned risk business in CT is at record lows. State compensation funds are designed to satisfy availability, affordability of insurance, and service to insured's.

Given that Connecticut does not have an availability or affordability problem as evidenced by the minimal amount of premium in the residual market relative to the total written workers' compensation premium, we believe the creation of a state run workers' compensation insurer would yield no benefit to those businesses seeking to purchase workers' compensation insurance. Connecticut's Workers' Compensation system is working very well and is a model for states currently in crisis.

Finally, we believe that the creation of a non-profit workers' compensation insurance company would increase the cost of workers' compensation insurance since all carriers under this proposal would pay a 3% annual assessment on written premium for a period of four years. This amount would be for the state fund's surplus. Assessments can be adjusted depending on the state fund's financial condition so it could cost more. In closing, policymakers should only consider the establishment of a state run Workers' Compensation program if they determine that Connecticut's existing Workers' Compensation market is not competitive.