



Property Casualty Insurers
Association of America
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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

February 1, 2011

S.B. 23, An Act Concerning Employees Injured Between 1993 and 2006 and Social Security Offsets Under the Workers' Compensation Act

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on S.B. 23 which would require an increase in workers' compensation payments to individuals whose payments were offset as a result of receiving Social Security between 1993 and 2006. PCI is a national trade association representing over 1,000 insurance companies. In Connecticut, PCI members write 36% of the workers' compensation insurance in the state. PCI opposes this legislation because it would exacerbate the problem of rising workers' compensation costs in Connecticut and the retroactive impact of this proposal would result in an unfunded liability for workers compensation insurers and establish a harmful precedent.

The Connecticut Workers Compensation system, as it is currently structured provides a high level of benefits to injured employees, supported by high employer costs. Higher costs do not always translate into higher patient satisfaction or better return to work rates. In addition, a competitive workers compensation market is critical to Connecticut's economic viability, especially during this economic downturn.

Employers and their employees mutually benefit from a system that is designed to provide quality medical care, wage replacement and permanent disability benefits, when warranted, to injured employees. The system is designed to try to balance the need to control employer costs without infringing upon employee benefits.

However, workers compensation costs are becoming mission critical for business owners. The Oregon Department of Commerce & Business Services provides a biannual "Premium Rate Ranking." This report provides employers with information on individual state costs. In 2010, Connecticut's index rate of \$2.55 placed our state as the 6th highest cost of 51 jurisdictions analyzed. The previous study by Oregon in 2008 had placed Connecticut at the 20th highest. Collectively, we need to control costs where we can so that we can continue to provide quality benefits to our injured workers.

This bill would apply the provisions of Public Act 06-84 which prospectively eliminated the workers compensation social security offset retroactively and, if enacted, would mark a troublesome divergence from the way that workers compensation benefits are calculated. The calculation of benefit amounts is generally determined by the prevailing law at the time of injury. If this bill is enacted, a retroactive precedent will be established in regard to the calculation of benefits which would increase costs for employers. In the future, there could be changes which could potentially

decrease benefits; will employers and insurers be allowed to retroactively apply those changes? Predictability is a key component to maintaining balance in the workers compensation system. This change would upset the balance in the system.

Additionally, because workers compensation premiums are determined on a prospective basis, the retroactive application of Public Act 06-84 would create an unfunded liability for employers and insurers. If this legislation were to be enacted, we would submit that insurers should have the ability to recalculate experience modifications and apply the changes/charges retroactively to the appropriate policyholder. Also, the Workers Compensation Commission would need to address Second Injury claims which would be difficult due to the repeal of the Second Injury Fund in 1995.

In summary, this bill proposes escalating costs to the workers compensation system and creates significant uncertainty for employers. If enacted, this bill could have dire consequences in Connecticut's ability to sustain employers and to attract new employers to the state.

For the foregoing reason, PCI urges your Committee to not favorably advance S.B.23.