



## State of Connecticut

### HOUSE OF REPRESENTATIVES STATE CAPITOL

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**RANKING MEMBER**  
TRANSPORTATION COMMITTEE

**MEMBER**  
JUDICIARY COMMITTEE  
REGULATION REVIEW COMMITTEE

## TESTIMONY

In support of:

**HB 5856 An Act Permitting Employers to Purchase Insurance Policy to Satisfy Collateral Obligations**

Labor and Public Employees Committee

February 17, 2015

Dear Senator Winfield, Representative Tercyak, Senator Hwang, Representative Rutigliano and distinguished members of the Labor and Public Employees Committee:

I respectfully ask your consideration of HB 5856, An Act Permitting Employers to Purchase Insurance Policy to Satisfy Collateral Obligations.

Currently Section 31-284-8 of Connecticut's Self Insurance Certification Security requirements outline surety bonds, irrevocable funded trust, irrevocable letters of credit and/or cash deposits. HB 5856 addresses the addition of an indemnity insurance policy as a form of acceptable collateral for those companies in the State of Connecticut that qualify and self-insure workers' compensation.

The forms of collateral currently accepted by the State tie up valuable credit capacity which impairs a company's ability to reinvest in its business; credit capacity is particularly important to mid-size companies which access revolver capacity to smooth out cash flows, hire and train new employees and in general reinvest in the business.

Connecticut ranks number 28 in the country in numbers of employees, yet according to the 2014 Oregon Workers' Compensation Rate Ranking Summary (released Fall 2014 containing rates for Connecticut effective January 2, 2014) Connecticut ranks number 2

in premium rates, following California ranked as number 1 and followed by New Jersey rank number 3. While companies which self-insure do not pay premiums per se (other than excess workers' compensation premiums) the rate ranking does provide insight into the relative cost of doing business, specifically the costs of workers' compensation in the state.

Costly forms of security can be a deterrent for companies which would like to self-insure workers' compensation. This bill proposes accepting a less costly option in the form of an indemnity policy which is now available in the marketplace. The policy was developed in response to a demand for a more efficient and cost effective way to secure self-insured retentions related to workers' compensation.

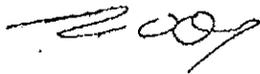
The premium associated with the purchase of the insurance policy would be borne by the company. The state would be the loss payee on the policy in the event the company did not meet its obligations to pay worker's compensation benefits to its employees.

With the implementation of Basil III banking regulations along with increased Federal bank stress testing, the availability of letters of credit will diminish and the cost will rise - in some instances letters of credit will become unavailable altogether.

HB 5856 proposes that the State of Connecticut accept an additional form of collateral in the form of an indemnity policy. I urge the committee to pass this bill to support the ability of Connecticut businesses to maintain current staffing levels and avoid layoffs that will inevitably occur without legislation to offset the increased cost of doing business in Connecticut.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom O'Dea".

Tom O'Dea  
State Representative