



State of Connecticut
SENATE

SENATOR MICHAEL A. McLACHLAN
TWENTY-FOURTH SENATE DISTRICT

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February 25, 2016

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

I am State Senator Michael McLachlan, and I am testifying today in support of SB 101, *An Act Concerning Workers' Compensation Insurance and Sole Proprietors*. This legislation aims to address a peculiarity in the workers' compensation law that is currently penalizing sole proprietorships, and would enable certain sole proprietors, who do not carry workers' compensation insurance, to perform on public works projects.

Over the past years, I have had many conversations with small business owners and with insurance agencies that insure small businesses. In our conversations, we have discovered that the current law requires a sole proprietor to purchase a "ghost" policy of workers' compensation.

What I mean by a "ghost" policy is this: A general contractor will order a subcontractor, who may be a sole proprietor, to purchase a workers' compensation "ghost" policy so that they show coverage on a Certificate of Liability Insurance. The State of Connecticut essentially is forcing a sole proprietor to spend somewhere around \$1,200 dollars a year for a policy that effectively does nothing, because you cannot effectively file a claim for workers' compensation when you are self-employed.

The insurance companies are embarrassed to charge their customers the fee for this insurance, because it will do absolutely nothing for their customer.

This legislation seeks to spell out that a sole proprietor, or business partner who elects to be excluded from coverage under workers' compensation, are able to perform on public works projects. This would help put an end to forcing a business to buy an expensive insurance policy year after year when it does nothing for them, and would ensure that they are able to work on public works projects.

These small businesses owners should be allowed to remove themselves from coverage if they do not wish to be covered.

This would eliminate an unnecessary cost to small business in the State of Connecticut, and I urge the committee to pass this legislation.

Thank you.

Sincerely Yours,

Michael A. McLachlan
State Senator – 24th District