



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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NAPPIER REFORMS RESULT IN RATE CUT FOR BUSINESSES; MANAGEMENT REFORMS, TIGHTER FISCAL CONTROLS DRIVE REDUCTION IN SECOND INJURY FUND ASSESSMENT

Assessment Rate for Insurers Lowest in 14 Years; CT Businesses Save \$4 Million Annually

State Treasurer Denise L. Nappier announced today that the rates charged to Connecticut businesses for assessments paid to the Treasury's Second Injury Fund will be reduced beginning October 1, 2001.

The annual impact of the rate change is a savings of \$4,000,000.00 for Connecticut businesses. For insured employers, the assessment rate will decrease from 10% to 9.5%, the lowest rate in 14 years. For self-insured employers, the assessment rate will decrease from 14.5% to 13.7%, the lowest rate in 7 years. The new assessment rates take effect on October 1st.

The rate reductions are a direct result of a comprehensive series of reforms initiated by Treasurer Nappier, which have:

- saved the Fund \$604.5 million in borrowing costs over the life of the debt, and led to rating upgrades by all three rating agencies, reflecting strengthened management controls
- created a one-time increase of \$19 million in assessment revenue and interest, as well as ensuring more accurate reporting in the future and expanding the assessment base, as a result of a formalized Second Injury Fund assessment audit program
- decreased operating expenses by \$2 million by targeting -- and settling -- the high annual benefit payout cases, directly reducing operating costs

The Second Injury Fund is a State operated workers' compensation insurance fund that assesses Connecticut employers to cover the costs of injured worker claims. The Fund was originally created to pay benefits to eligible workers in Connecticut who had pre-existing medical conditions and then incurred a second injury on the job. The Fund now protects a variety of workers, including those with bankrupt or uninsured employers.

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“The rate reduction is grounded in prudent fiscal policy and sound management,” Nappier stated. “It is the result of hard work, careful analysis and the implementation of my new policy guidelines, with the best interest of employers, injured workers and the taxpayers of Connecticut in mind. We have achieved all of this- without compromising any benefits due Connecticut injured workers, while passing along savings to Connecticut businesses in the form of rate reduction.”

The rate reduction comes after Nappier was initially faced with the prospect of increasing rates due to mismanagement of Fund operations and finances by the previous administration. Rejecting recommendations made to her shortly after she assumed office to increase rates due to projected shortfalls, Nappier instead froze rates for two consecutive years. The Treasurer put a hold on issuing more long term debt and instituted a series of management reforms and tighter fiscal controls that have lowered costs and increased revenue, laying the groundwork for the assessment rate reductions.

Treasurer Nappier also established a Blue Ribbon Commission of industry experts, initiated an independent third-party audit of the Fund by a leading international accounting firm, established stricter internal policies regarding the cost and volume of settlements, hired a full-time controller for the first time in the Fund’s history and strengthened internal financial management controls. The Treasurer’s Office also developed and implemented standardized examination procedures to ensure that correct assessments are being paid, and later a formalized Second Injury Fund assessment audit program.

Treasurer Nappier said the Fund is now on the strongest financial management footing ever, stressing that the “assessment rate reduction is grounded in prudent fiscal policy and sound management. This reduction is the result of hard work, careful analysis and the implementation of my new policy guidelines with the best interests of employers, injured workers and the taxpayers of Connecticut in mind.”

“Connecticut’s businesses expect and deserve nothing less,” Nappier said.

