



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

NEWS

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NAPIER REFORMS RESULT IN FURTHER REDUCTIONS IN BUSINESS ASSESSMENTS BY TREASURY'S SECOND INJURY FUND

*Savings to Connecticut Businesses is \$14.4 Million Annually;
Rates Reduced by 25% in Past Two Years*

For the second consecutive year, State Treasurer Denise L. Nappier announced today that the rates charged to Connecticut businesses for assessments paid to the state's Second Injury Fund will be dropping – saving Connecticut businesses \$14.4 million annually.

As a result of continued implementation of comprehensive management reforms and tighter fiscal controls established by her administration, Nappier said the assessment rate for insured employers will decrease from 9.5% to 8.0% and for self-insured employers the assessment rate will decrease from 13.7% to 11.6%.

The cumulative effect of both rate reductions will result in a total savings to Connecticut businesses of \$23.6 million or 25.3% . For insurance companies the rate will be the lowest since 1988-89 and for self-insured businesses the lowest rate since 1992-93. The new, lower rates take effect on July 1, 2002 for the fiscal year 2002-03.

The FY 2003 reductions come following reductions that took effect in October 2001, when the assessment rates were reduced from 10% to 9.5% for insurance companies and from 14.5% to 13.7% for self-insured employers.

"Prudent management and effective reforms have really made a difference on the bottom line," Nappier said. "These reductions have been achieved without compromising any benefits due to Connecticut workers, while passing along savings to Connecticut businesses."

The 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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Nappier said that the rate reductions will mitigate the impact on Connecticut businesses of increased workers' compensation insurance rates and are a result reforms which have:

- saved the Fund \$604.5 million in borrowing costs over the life of long-term debt;
- resulted in credit rating upgrades by all three rating agencies;
- decreased operating expenses;
- led to the recovery of \$30.5 million in underpaid assessments and interest payments;
- increased compliance with assessment reporting due to Fund audits of insurance companies and self-insured employers; and
- paid off short-term debt.

The second consecutive rate reduction comes after Nappier was initially faced in 1999 with the prospect of increasing rates due to mismanagement of Fund operations and finances by the previous administration. Rejecting that recommendation, Nappier instead froze rates for two consecutive years, 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 formalized a Second Injury Fund audit program.

Treasurer Nappier said the Fund is on the strongest financial management footing ever, stressing that the rate reductions were achieved due to "sound fiscal policy and effective management reforms with the best interests of employers, injured workers and the taxpayers of Connecticut in mind."

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