



The Business Council of New York State, Inc.

COMP WATCH '06

Attention New York businesses: please don't read this

Pennsylvania Governor Edward Rendell just announced that Pennsylvania will decrease workers' compensation insurance rates, saving the state's employers approximately \$100 million on their 2006 premiums. And Pennsylvania continues to cut the cost of doing business in that state.

From the mid-February press release: *This is the third time Pennsylvania has reduced workers' compensation costs in the last four years.*

Businesses have benefited from lower workers' compensation premiums in three out of the last

four years, partly because our workplaces are safer. When there are fewer workplace accidents, the cost of doing business goes down and productivity goes up.

"We have more jobs in Pennsylvania now than at any time in history, and I commend and continue to support all businesses in their efforts to make sure those jobs are safe," Governor Rendell said. "Workplace injuries are near record low levels, but we cannot rest until every worker returns home safely."

The overall 8.58 percent loss cost decrease is an average. Some employers may see more of a

decrease.

The \$100 million in workers' compensation savings for Pennsylvania businesses comes less than a week after the Governor proposed \$221 million in additional business tax cuts as part of his 2006-2007 budget.

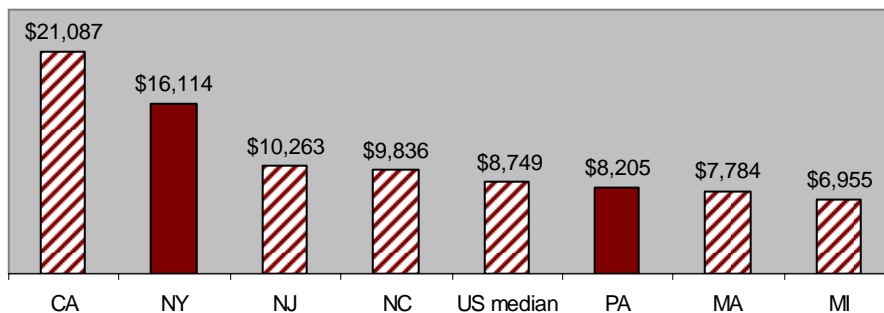
In an earlier edition of **Comp Watch**, we highlighted an employer in Binghamton who was seriously considering hopping the state line and moving his shop to Pennsylvania. It's relatively easy—given the proximity of Binghamton, Corning, Jamestown, Sullivan and Orange Counties—for businesses to move just over the southern border. With Pennsylvania rate reductions like these, plus an average cost per case that is fully half of what employers currently pay in New York, it's a real competitive disadvantage for any business to stay in New York State.

Other states are also reforming workers' comp; for instance, a recent report in California said reforms there cut rates an average 46 percent from 2003 to 2006.

To quote one employer's comments from a 2003 survey of New York State businesses, "all I know is it's hard to stay in business in New York."

That's true. Especially when our neighbor to the south is making it so much easier.

AVERAGE COST PER CASE



Source: National Council on Compensation Insurance, 2001

Claims aren't the only cost drivers burdening our comp system

"Comp" is generally short for "compensation," but in New York's system, it could be short for "complicated." Businesses fund many aspects of the comp system—and pay costs within costs.

In alternating years, businesses pay the Workers' Comp Board assessment, Special Disability Fund assessment, Reopened Case Fund assessment, Non-Resident Compensation Fund assessment, Special Fund for Civil Defense Volunteers assessment, Vocational Rehabilitation Fund for Reopened Cases assessment, Uninsured Employers' Fund assessment, Aggregate Trust Fund assessment, Workers' Compensation Security Fund assessment, and/or the Special Fund for Disability Benefits assessment—in addition to

regular premiums on their insurance policies.

Speaking of premiums, another laundry list of costs makes up that premium payment. Included in the scope of insurance is employer liability for indemnity (lost time) wages, and sometimes the employer pays for all or a portion of civil liability from a claim. Attorney representation and investigation of claims are other costs that businesses pay.

Plus, when an employee does get hurt, the business pays for treatment by doctors, hospitals and other medical care providers.

AHEAD:

- Real-cost perspectives **Mar. 6**
- Why reform now? **Mar. 20**