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Businesses Face Higher Insurance Rates

By DIANE LEVICK

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Many Connecticut employers could see rate increases averaging 3.4 percent for workers' compensation insurance next year, but businesses in a special pool may face smaller increases on average.

The National Council on Compensation Insurance has proposed 2008 rates for the state, noting that medical costs to treat injured workers continue to rise while the frequency of claims continues to decline.

The 3.4 percent average increase for employers who buy insurance through normal channels is a bit steeper than Connecticut has seen in recent years.

The proposal reflects a wide range of rate changes because there are hundreds of classifications of businesses, each with its own rate.

Some would get decreases, and some others would face increases significantly larger than 3.4 percent.

The proposed rates, which would take effect Jan. 1, are subject to a public hearing and regulatory approval by the state Insurance Department.

Workers' compensation insurance, bought by employers, covers medical and rehabilitation expenses of employees who are injured on the job, and replaces part of their lost wages.

The rates proposed by the council for the normal market represent only the part of premiums that covers claims and claim-handling expenses -- known as "loss costs." Each insurance company adds in an amount to cover overhead and profit.

"Connecticut continues to remain stable and healthy as evidenced by the loss cost filing," said Laura Backus Hall, a state relations executive with the national council. "Connecticut's market is competitive, and the market ultimately determines an employer's ultimate premium."

Businesses considered too small or too risky to get insurance through the regular market must buy through the "assigned risk" plan, where rates would rise an average 0.5 percent in 2008. The proposed assigned risk rates include a provision for overhead and profit.

Connecticut has the smallest assigned risk pool in New England and one of the smallest among all the states that the council services -- a sign of a high level of competition among insurers in the regular market, Hall said. More than 93 percent of the workers' comp premium in Connecticut is written in the regular market.

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'Tis the Season