

State of Connecticut

DENISE L. NAPPIER
TREASURER



Hartford

July 1, 2010

The Honorable M. Jodi Rell
Governor, State of Connecticut
State Capitol Building
Hartford, Connecticut 06106

Dear Governor Rell:

Please find enclosed the *Annual Report of the Financial Condition of the Second Injury Fund* as required by Section 31-349f of the Connecticut General Statutes.

I am pleased to report that the Second Injury Fund (hereinafter referred to as "the Fund") continues to maintain fiscal stability without compromising any benefits due to injured workers. In keeping with my commitment to improve the economic well-being of the State and its businesses, assessment rates for insurance companies will remain at 2.75% for insured employers, effective today (July 1), while the rate for self-insured employers will decrease from 3.84% to 3.25 %, beginning January 1, 2011. This marks the twelfth consecutive year of no increase in the Fund's assessment rate. And, as a result, Connecticut businesses have realized an estimated \$558.7 million in savings -- including \$75.8 million in projected savings for Fiscal Year 2011.

The attached report highlights a number of achievements -- most notably that long-term unfunded liabilities decreased from \$440.1 million in Fiscal Year 2009 to \$429.4 million in Fiscal Year 2010. This represents a \$10.7 million reduction. Since my administration commenced in 1999, unfunded liabilities have declined by 48.8% -- from \$838 million to \$429.4 million.

These accomplishments are the result of a strong commitment to prudent fiscal policies which have enabled the Fund to pass along savings to Connecticut businesses without impairing the protections afforded to injured workers.

If you have any questions concerning the *Annual Report*, please feel free to call me or Assistant Deputy Treasurer Maria M. Greenslade at (860) 702-3125.

Sincerely,

A handwritten signature in cursive script, appearing to read "Denise", enclosed within a large, loopy oval.

Denise L. Nappier
State Treasurer

Enclosure

cc: Hon. Michael Fedele, Lieutenant Governor
Hon. Donald E. Williams, Jr. Senate President *Pro Tempore*
Hon. Christopher G. Donovan, Speaker of the House
Hon. Martin M. Looney, Senate Majority Leader
Hon. John McKinney, Senate Minority Leader
Hon. Denise W. Merrill, House Majority Leader
Hon. Lawrence F. Cafero, House Minority Leader
Hon. Edith Prague, Senate Chair, Labor & Public Employees Committee*
Hon. Kevin Ryan, House Chair, Labor & Public Employees Committee*
Hon. Anthony Guglielmo, Senate Ranking Member, Labor & Public Employees Committee
Hon. Selim G. Noujaim, House Ranking Member, Labor & Public Employees Committee
Hon. Joseph J. Crisco, Jr., Senate Chair, Insurance and Real Estate Committee
Hon. Steve Fontana, House Chair, Insurance and Real Estate Committee
Hon. Sam F. Caligiuri, Senate Ranking Member, Insurance and Real Estate Committee
Hon. Anthony J. D'Amelio, House Ranking Member, Insurance and Real Estate Committee
Thomas Sheridan, Clerk, Senate
Garey E. Coleman, Clerk, House of Representatives

Members of the Second Injury Fund Advisory Board:

Bonnie Stewart, Chair
*Senator Edith Prague
*Representative Kevin Ryan
Ben Cozzi
Clifford Leach
Joseph McFetridge
Lori Pelletier

**ANNUAL REPORT OF THE SECOND INJURY FUND
FOR FISCAL YEAR ENDING JUNE 30, 2010**

As of 06/28/10

1. Estimate of the Fund's unfunded liability as of preceding July first (July 1, 2009):

- A. The unfunded liability of the Second Injury Fund as of **July 1, 2009** had been estimated at **\$440,100,000**.
- B. The unfunded liability of the Second Injury Fund as of **July 1, 2010** is estimated at **\$429,400,000**.

NOTE: The unfunded liability of the Second Injury Fund has been reduced from \$838,000,000 in 1999 to \$429,400,000 in 2010.

	<u># Open Claims</u>	<u>Reserve Value</u>
Claim Inventory 7/1/10	2,540	\$426,900,000
* Estimated Future Claims (FY 2011)	400	<u>2,500,000</u>
Total Estimated Liability as of 7/1/10		\$429,400,000

* Anticipated uninsured employer and concurrent employment claims incurred but not reported as of 7/1/10

2. The effect of settlements and stipulations on the unfunded liability:

During FY 2010 SIF paid 202 settlements at a cost of **\$10,276,432**.

3. The number and actual amount of assessments levied under section 31-354 for the previous fiscal year (FY10):

Category	# of Assessments	Amounts
Insured Employers	4	\$23,291,613 (est)
Self-Insured Employers	4	<u>6,178,758 (est)</u>
Total		\$ 29,470,371

4. The number and estimated amount of assessments for the coming year (FY2011):

Category	# of Assessments	Amounts
Insured Employers	4	\$21,628,135
Self-Insured Employers	4	<u>5,407,033</u>
Total		\$27,035,168

- 5. Any recommendation for legislative change to improve the operation of the Fund:**
Public Act 10-11 was enacted during Fiscal Year 2010 making a technical change to Section 31-354(a). The language clarifies an ambiguity surrounding the late payment of assessments to the Fund by employers and insurance companies.

No further recommendations for legislative change at this time.