



**House Bill 5049**

**AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR  
ENDING JUNE 30, 2024**

**Testimony of the Department of Administrative Services**

**Appropriations Committee**

**March 22, 2024**

Senator Osten, Representative Walker, Senator Berthel, Representative Nuccio, and distinguished members of the Appropriations Committee. We thank you for the opportunity to submit testimony on **House Bill 5049: AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2024**.

**State Insurance and Risk Management Board (SIRMB)**

The SIRMB projected a total shortfall of \$4.5 million in the Special Transportation Fund (STF) account as of February 29, 2024. At the Finance Advisory Committee (FAC) meeting on March 7, 2024, the FAC approved a \$900,000 transfer of STF funds from the DAS Personal Services STF funding account. Following that transfer, at this time, we are requesting \$400,000 to replenish the Personal Services fund and \$3.6 million which is the remainder of the SIRMB deficit in its STF account. These funds are needed for the payment of claims.

For FY24, STF available funds for SIRMB Operations totaled \$16,289,469, which included a carry forward of FY23 funding of \$2,552,688. These monies pay for the following:

- premiums associated with policies purchased by the State to ensure against losses;
- claims and judgments issued against the State for losses that occur within self-insured deductible amounts;
- payments to the Third-Party Claims Administrator, which is responsible for managing the state's liability claims;

The SIRMB is a pay-as-you-go operation that is not permitted to maintain reserves.

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The SIRMB is responsible for the payment of insurance premiums, a portion of the fleet claims from specific bus operations, and highway liability claims from the Special Transportation Fund appropriations. The fleet claims arise from the operation of approximately 500 buses. The highway defect claims are brought by parties claiming injury caused by a defective road or bridge who are allowed to sue the state of Connecticut for damages where the defect is the sole proximate cause. These claims are all subject to a \$4 million self-insured retention.

This fiscal year, we have seen both the number of claims, and the value of the claims, on the rise, returning to pre-COVID-19 levels. In FY17-19, there were an average of 621 Highway liability claims per year, and in FY23, there were 604. The statute of limitations has not yet run on those claims, so those matters are still developing, and we do anticipate that they will approach the pre-COVID-19 claim counts.

The claims themselves have become increasingly more expensive to settle. Larger claim payments are the drivers of the deficit in the Special Transportation Fund account, as premiums have run favorably to the prepared budget. Particularly, there are a small number of claims where the state either has or expects to exceed the SIRMB's self-insured retention of \$4 million. Historically, this is unusual, as the state has not reached its \$4 million self-insured retention on claims. The SIRMB relies upon actuarial projections to create and to validate our budget requests, however these extraordinarily large claims are truly outliers and are very difficult to budget for. Unfortunately, this is consistent with the claims landscape nationally, as larger verdicts are occurring with greater frequency. We also have little control over the timing of the need for payment of these claims. To achieve the most cost-effective result for the state, SIRMB must have the funds available to pay the claims at the time of a mediation or other settlement conference.

### **DAS Workers' Compensation**

The Department of Administrative Services (DAS) is requesting additional funding of \$1.25 million for the Workers' Compensation (WC) SID account of the Special Transportation Fund (STF). The STF Fund is composed of two Agencies: Department of Transportation and the Department of Motor Vehicles. The STF Workers' Compensation claims account provides funding for workers' compensation claims expenditures for injured State employees.

The Workers' Compensation claims shortfall in the STF is based on projected and estimated claim expenditures. This year's higher costs are the result of several factors involving work-related injuries that include rising medical claim costs from orthopedic surgery, hospital inpatient and outpatient care, long-term treatment involving

convalescent care; and increased costs associated with indemnity benefits such as wage replacement benefits.

Compounding these factors are 5 claims totaling over \$970k in medical costs, all involving surgeries. Included in the 5 claims are two motor vehicle-related claims involving workers as pedestrians. There has been a rise in motor vehicle events, overexertion, struck by, lifting, and material handling injuries.

Thank you for your consideration of this request. I am happy to answer any questions you may have.