

TO: Members of the New Jersey General Assembly

FR: American Insurance Association
Burton Trent Public Affairs LLC
Chamber of Commerce Southern New Jersey
Commerce and Industry Association of New Jersey
Fuel Merchants Association of New Jersey
Hopewell Valley Community Bank
Hudson County Chamber of Commerce
Insurance Council of New Jersey
MIDJersey Chamber of Commerce
Morey's Piers, Beachfront Waterparks and Resorts
Morris County Chamber of Commerce
National Federation of Independent Business - New Jersey
New Jersey Amusement Association
New Jersey Apartment Association
New Jersey Business and Industry Association
New Jersey Food Council
New Jersey Gasoline, C-Store, Automotive Association
New Jersey Independent Electrical Contractors
New Jersey Manufacturers Insurance Group
New Jersey Motor Truck Association
New Jersey Retail Merchants Association
New Jersey Self Insurers' Association
New Jersey State Chamber of Commerce
NJ Tourism Industry Association
Property Casualty Insurers Association of America
Selective Insurance Company of America

DATE: March 26, 2015

RE: *Senate Bill 929 and Assembly Bill 1908*

Our organizations would like to respectfully express our opposition to Senate Bill 929 (Sweeney, Madden) and Assembly Bill 1908 (Burzichelli, Riley).

S929/A1908 imposes an increased cost on employers to fund a new cost-of-living adjustment (COLA) on workers' compensation benefit rates for certain disability cases that have occurred since 1980. The estimated \$58 million annual cost will be generated by increasing the \$223 million annual surcharge that New Jersey employers now pay to the Second Injury Fund, which is already the second-highest such charge in the nation.

Further, the \$58 million estimate is only at implementation. There is no fiscal note projecting what the cost will be 10, 20 or 30 years from now.

Evidence indicates that the cost will rise dramatically. That is what has happened with the COLA now paid to pre-1980 disability cases in recognition of their deficient payments before the 1980 workers' compensation reform. The Second Injury Fund is still paying \$36 million a year for this COLA. The cost per beneficiary has more than doubled in the past 26 years. The same COLA formula will be used in S929/A1908.

The current COLA is going to 1,388 pre-1980 beneficiaries. The new COLA will go to 15,000 beneficiaries from 1980 through today and to all new cases in the future. This expanded benefit will be for injuries that occurred as long ago as 1980, when many of today's employers were not even in business.

Also, while both public and private-sector workers will receive the COLA, 17% will be government workers, and the added expense will be borne solely by private employers.

S929/A1908 will impose a permanent statutory cost obligation on employers without a long-term fiscal estimate, even though the future cost is certain to grow due to inflation in the benefit amounts, constant growth in the number of beneficiaries, and the COLA formula itself.

For these reasons, we ask that you vote "no" on S929/A1908.