

Office of the Governor

NEWS RELEASE

PO BOX 004
TRENTON, NJ 08625

CONTACT: Jayne O'Connor
609-777-2600
Winnie Comfort (Banking & Insurance)
(609) 292-5064
Kevin Smith (Labor)
(609) 292-7832

RELEASE: October 20, 1998

Workers Compensation Premiums Reduced for Fourth Time

Gov. Christie Whitman announced today that for the fourth year in a row, the average premium for workers compensation insurance will be reduced. At the same time, she said, the maximum weekly benefit for injured workers will be increased.

The average workers compensation premium rate for New Jersey businesses will be reduced by 5.2 percent in 1999. The overall net savings will be an estimated \$43 million, Governor Whitman said. The maximum weekly benefit will increase from \$516 to \$539, the minimum benefit from \$138 to \$143.

"Good news is always welcome. Two and three years in a row is wonderful. Four years in a row, while not unheard of, is rare," the governor said. "Our employers and our workers and our health care providers are consistently making New Jersey a better place to do business, and to work."

"The average cost savings for employers will range from \$16 to more than \$2,900, depending on the size of their policies," Governor Whitman said.

In 1995, the average premium was reduced 3.8 percent, in 1996, 11.2 percent, and in 1997, 9.3 percent. The cumulative reduction for the four-year period works out to about 26 percent.

"We did have a similar series of reductions, from 1982 through 1985. But the reasons generating the reductions are even better this time," Commissioner of Banking and Insurance Jaynee LaVecchia said. In the early 1980s, a strong economy and high employment were the chief factors. While those same conditions contributed to the four recent decreases, the commissioner said that the "loss experience" has been favorable.

In 1994 workers compensation losses totaled \$1.1 billion. In 1997, losses were down to \$856 million.

"In human terms, that means that fewer people are getting hurt, and those who, unfortunately, do get hurt are getting better care so they can get back to work," LaVecchia said.

The commissioner noted that the premium reduction is an average one, and premiums charged individual companies depends on their particular loss experience and which business classification they're in. Within the 600 classifications, the base rate for 464 will go down, 120 will go up, and 14 will remain nearly the same (The other two are new classifications).

The commissioner also noted that the \$43 million reduction includes an increase in the Second Injury Fund surcharge, from 6.8 percent to 8.2 percent. The Second Injury Fund provides benefits in the event a second work-related injury leaves a worker permanently and totally disabled.

In New Jersey, the workers compensation system is the joint responsibility of the Department of Labor and the Department of Banking and Insurance. The funds and claims are administered by the Department of Labor. Premiums are calculated by the Compensation Rating and Inspection Bureau, an office of the Department of Banking and Insurance.

Labor Commissioner Mel Gelade said, "The emphasis on workplace safety in New Jersey continues to yield good results -- lower accident rates and lower premium rates for workers compensation insurance."

Commissioner Gelade said more employers are taking advantage of training grants that include workplace safety training.

"Workers are not only learning high-tech skills, they are better able to remain on the job and keep their work environment safe," he said.

"A commitment to workplace safety directly affects an employer's bottom line," Gelade said, "through higher productivity, lower workers compensation premiums and fewer work hours lost to accidents and illness."

By law, workers compensation policies are standardized, providing the same coverages. No limit is set on the amount of medical benefits and workers may not be required to take on co-payments or deductibles. In addition to providing medical care and benefits to injured workers preparing to return to work, policies provide lifetime benefits to totally disabled workers, to workers whose injuries are partial but permanent, and to spouses of deceased workers.

There are more than 350 insurance firms authorized to sell workers compensation insurance for 167,000 New Jersey business entities.

While each state has a different system of calculating and reporting workers compensation rates and benefits, three recent national surveys show that New Jersey is within the lowest 40 percent of workers compensation insurance rates.