

Legislative Action Needed to Stop Big Hike in PA Workers' Comp Premiums

Court ruling to hamper job growth

Pennsylvania's leading small-business group warned the recent decision by the state Insurance Commissioner to approve higher loss costs in the workers' compensation system will send premiums precipitously higher and hamper job growth.

The problem was created by a Pennsylvania Supreme Court decision in June which tossed out a portion of the state Workers' Compensation Act. The ruling, *Protz v WCAB (Derry Area School District)* found that a section of that law is unconstitutional because guides used by physicians for re-evaluating an employee's level of disability come from a private source – the American Medical Association. Currently, more than 30 states also use the AMA disability guidelines in their workers' compensation laws.

In late December, the Insurance Commissioner approved a request by the Pennsylvania Compensation Ratings Bureau for a 6.06-percent increase in loss costs. That could translate into at least \$165 million in added costs for employers.

"The activist court ruling has created an untenable situation for small-business owners who now face huge premium increases," said Kevin Shivers, Executive State Director of NFIB Pennsylvania, an association representing 14,000 businesses statewide. "It is imperative that our lawmakers address this situation immediately with legislation. We don't want to see businesses closing or workers laid off due to an unstable insurance market.

"It's disappointing that an activist state court would strike down a 20-year-old law that has stabilized workers compensation insurance rates in Pennsylvania," Shivers continued. "Pennsylvania small-business owners already must contend with scores of statutory and regulatory obstacles that make it difficult to run a business. Surging insurance rates because of this decision just make it even harder."

NFIB urged state lawmakers to take immediate action to pass HB 1840 by state Rep. Rob Kauffman (R-Franklin) or SB 963 by state Sen. Kim Ward (R-Westmoreland), either of which would fix the problem, keeping rates affordable, and stabilizing the insurance marketplace.

"Few policymakers in office today remember the insurance crisis of the 1980s and 90s when soaring medical claims and runaway litigation led to annual double-digit premium increases and several carriers threatened not to insure businesses operating in Pennsylvania," said Shivers. "The bipartisan workers' comp reforms of '93 and '96 stabilized the state insurance market. Without immediate action by the Legislature, it's likely Pennsylvania's insurance market will backslide down the slippery slope."