

Governor Cuomo Announces \$370 Million in Bonds to Resolve Workers' Compensation Claims

Governor Andrew M. Cuomo today announced New York State issued \$370 million in bonds to assist businesses in failed group self-insured trusts fulfill their obligations to their injured workers. The bonding is made possible in Governor Cuomos 2013 Business Relief Act, which authorizes the Workers Compensation Board to use the proceeds to purchase insurance to pay the claims of these injured workers; the employers will repay the cost of insurance under favorable terms.

Through the 2013 Business Relief Act, the State is providing a practical and affordable way for thousands of businesses to meet their responsibilities so that injured workers can receive the compensation they deserve, Governor Cuomo said. Employees who are hurt on the job are rightfully entitled to their workers compensation benefits, and the bonds issued by the State will provide financial assistance for employers to meet those needs. We are pleased to work side by side with the business and labor communities so that all New Yorkers are covered.

The bonds, issued through the Dormitory Authority of the State of New York, received the highest possible credit ratings from Moody's, Standard & Poors and Fitch. Lead bank Siebert Brandfort Shank, a certified Minority and Woman-Owned Business Enterprise (MWBE), and Goldman Sachs brought the bonds to market. The bonds are free of New York State and city taxes.

The NYS Workers Compensation Board will use the bond proceeds to purchase insurance policies that will pay the claims of injured workers because those employers members of insolvent group self-insured trusts abandoned their claims. The businesses in these trusts will reimburse the Board for the cost of these assumption of liability policies over 10 years, at low interest rates. By Dec. 31, 2013, the Board will finalize the insurance policy purchase on behalf of the two largest defaulted group trusts, the Healthcare Industry Trust of New York and the Healthcare Providers Self Insurance Trust. Additional proceeds can purchase insurance policies for group trusts that refused to meet their claim obligations and whose claims the Board now administers. The Business Relief Act of 2013 authorizes up to \$900 million in bonding capacity.

Transferring claims to insurance companies provides for the payment of benefits to injured workers; currently, the Board pays their claims and is engaged in legal proceedings to recoup those costs. The insurance does not relieve trust members of liability, but it does create a clear and lower-cost mechanism for employers to meet their obligations toward their injured and ill employees. Assumption of liability insurance also caps the cost of these claims for employers, at a favorable price.

Chair Robert Beloten of the NYS Workers Compensation Board said, This is a creative and very effective method of ensuring injured workers receive all the benefits they deserve under

the law, while at the same time resolving the difficult situation these employers find themselves in after their group trusts failed.

DASNY President Paul T. Williams, Jr. said, This was a highly successful bond sale with very strong investor interest based on the pledged security for this new AAA rated program. Additionally, under the Governors leadership, DASNY has increased the use of MWBE firms in its public finance work. Siebert Brandford Shank, an MWBE firm, and Goldman Sachs brought the bonds to market with Siebert as the lead bookrunner.

President and C.E.O. Suzanne Shank of Siebert Brandford Shank, the lead underwriter on the financing, said, This new AAA rated credit with its strong revenue stream was extremely well-received by the market and resulted in broad investor participation and excellent pricing levels. We were extremely pleased to be involved in this important new initiative.

Executive Director Brian Sampson of Unshackle Upstate said, Since the recession, there has been a looming threat to existing employers that participated in self-insured trusts for workers compensation insurance. That threat comes from an estimated \$800 million liability to the employers that are still in business. Governor Cuomo and his team worked diligently with the business community to address the problem and are now issuing bonds to decrease that burden on existing employers. This is a prudent move that will help retain much-needed jobs across the state.

Executive Director Joel Shufro of the New York Committee for Occupational Safety and Health said, We commend the Governor and the Workers Compensation Board for taking this important step to ensure that there is no interruption of benefits for injured workers. We strongly agree that employers who underpaid their obligations by entering into group self-insurance trusts should be required to meet their responsibilities. Employers who benefited from making artificially low payments should not be bailed out at the expense of injured workers or by employers that already paid their fair share.

President Thomas McEvily of the Safety Group Managers Association said, After much debate, discord, and litigation, the Workers Compensation Board has found a reasonable way to repair the disaster that was group self-insurance. The legislation and regulation implemented over the last few years strikes a balance between holding businesses accountable for their choices, and the overall economic health of the states small business sector. Governor Cuomo has worked hard to improve the business climate in New York under very difficult economic circumstances. We view his solution to the trust dilemma as another example of the willingness of this governor to make the choices necessary to ensure the prosperity of our state.