



Summary of Workers Compensation Reform Act of 2007 by James Rowland

In March 2007, Governor Elliot Spitzer signed the Workers Compensation Reform Act (the "Act"). The Act was viewed as a rare display of cooperation between labor and industry. Perhaps this was due to the fact that the bill provided both labor and industry with benefits. For labor, the Reform Bill increases the maximum weekly benefit from \$400 to \$600 in three annual steps until 2010, when the maximum benefit will be permanently pegged to two-thirds of the state average weekly wage, and be revised annually. The prior maximum weekly amount of \$400 was less than 40% of the state average weekly wage.

For industry, the Reform Bill should result in an initial reduction in workers compensation insurance premiums between 10 to 15%. Further, the Reform Bill now includes an up to 10 year time limit for cash benefits for permanent partial disabilities which had been lifetime benefits under the old law. The lifetime benefits were believed to be a major cause of why the cost of New York's workers' compensation program was 80 percent above the national average. It is anticipated that the Reform Bill should result in the cost of New York's workers' compensation program to drop from amongst the highest in the nation. Telling evidence of the effect that the Workers' Compensation Reform Act should have on premiums occurred in July 2007 when New York State Insurance Superintendent Eric Dinallo ordered a 20.5% decline in workers' compensation insurance rates for the fiscal year beginning July 15. This drop is expected to save New York businesses about \$1 billion.

The Act also includes stricter anti-fraud measures which target employers. Employers who are found to have cheated the system, such as by under-reporting the size of their work force to reduce their insurance premiums, will be barred from receiving state and municipal contracts for five years. The law further authorizes state officials to stop construction projects or other operations that do not have workers' compensation coverage for all employees and makes it a felony to intentionally misclassify employees as independent contractors.

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