



# House of Representatives

**File No. 706**

General Assembly

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February Session, 2004 **(Reprint of File No. 533)**

House Bill No. 5476  
As Amended by House  
Amendment Schedule "A"

Approved by the Legislative Commissioner  
May 1, 2004

**AN ACT CONCERNING PAYMENTS TO THE SECOND INJURY FUND  
BY AN EMPLOYER MUTUAL ASSOCIATION.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 31-349g of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2004*):

3 (a) On or before January 1, 1996, the State Treasurer, in consultation  
4 with the Insurance Commissioner, shall adopt regulations, in  
5 accordance with the provisions of chapter 54, regarding the method of  
6 assessing all employers for the liabilities of the Second Injury Fund.  
7 The liabilities shall be allocated between self-insured employers and  
8 insured employers based on paid losses for the preceding calendar  
9 year. The method of assessing self-insured employers shall be based on  
10 paid losses. The method of assessment for insured employers shall be a  
11 surcharge based on premium. In adopting regulations under this  
12 section, the State Treasurer shall consider their effect upon (1) the cost  
13 of doing business in this state, (2) the overall cost of the workers'  
14 compensation system, (3) the effect of the regulations on insurers,  
15 insureds and self-insured employers, and (4) the financial condition

16 and liabilities of the fund.

17 (b) An employer mutual association organized prior to June 6, 1996,  
18 with a membership composed exclusively of health care providers and  
19 whose premium base is derived entirely from health care  
20 organizations may make payments without penalty or interest over a  
21 five-year period for any outstanding assessment due from the  
22 association for the period commencing January 1, 1996, and ending  
23 December 31, 2004.

24 (c) For purposes of this section: [, "insured employers" include  
25 members of]

26 (1) "Insured employer" includes any member of a workers'  
27 compensation [pools] pool administered by an interlocal risk  
28 management [agencies] agency, and on and after January 1, [1996,  
29 "self-insured employers" shall include] 2005, an employer mutual  
30 association organized prior to June 6, 1996, with a membership  
31 composed exclusively of health care providers and whose premium  
32 base is derived entirely from health care organizations.

33 (2) For the period commencing October 1, 2004, and ending  
34 December 31, 2004, "self-insured employer" includes an employer  
35 mutual association organized prior to June 6, 1996, with a membership  
36 composed exclusively of health care providers and whose premium  
37 base is derived entirely from health care organizations.

This act shall take effect as follows:	
Section 1	October 1, 2004

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Treasurer	SIF - Revenue Loss	See Below	See Below

Note: SIF=Second Injury Fund

**Municipal Impact:** None

**Explanation**

The bill as amended waives interest and penalties for an outstanding Second Injury Fund assessment made during the period from 1/1/96 and 12/31/04. It will result in a revenue loss to the Second Injury Fund of \$1 million dollars.

House "A" strikes the language of the original bill and has the fiscal impact stated above.

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**OLR BILL ANALYSIS**

HB 5476 (as amended by House "A")\*

**AN ACT CONCERNING AN INCOME TAX DEDUCTION FOR CONTRIBUTIONS TO CONNECTICUT HIGHER EDUCATION TRUST ACCOUNTS****SUMMARY:**

This bill allows certain employer mutual associations to make payments owed to the Second Injury Fund for five years without any penalties or interest. It also changes, starting January 1, 2005, the way these associations are assessed the amount they owe to the fund. The fund is a state-run worker's compensation fund that pays or contributes to benefits for certain workers with preexisting conditions.

The bill allows an employer mutual association organized before June 6, 1996 with a membership of only health care providers and a premium base derived entirely from health care organizations to make interest- and penalty-free payments to the fund for assessments due from January 1, 1996 to December 31, 2004. The payments may be made over a five-year period.

By law, employers' fund assessments are calculated either based on (1) paid losses or (2) a surcharge based on a premium. Under current law, an employer mutual association organized before June 6, 1996 with a membership of only health care providers and a premium base derived entirely from health care organizations is assessed based on paid losses ("self-insured"). Under the bill, these employer mutual associations are assessed through a surcharge based on a premium ("insured") beginning January 1, 2005.

\*House Amendment "A" strikes the original bill and replaces it with the language regarding Second Injury Fund assessments. The original bill created a tax deduction for up to \$5,000 in annual contributions to the Connecticut Higher Education Trust.

EFFECTIVE DATE: October 1, 2004

**BACKGROUND*****Second Injury Fund***

The Second Injury Fund is a state-run workers' compensation fund financed by state employers and operated by the state treasurer. Among other things, the fund pays or contributes to workers' compensation benefits for workers with preexisting disabilities who were reinjured before July 1, 1995, whose employers are uninsured, or who worked more than one job when they were injured.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Report  
Yea 30 Nay 14