

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 440

**PRINTER'S NO.** 2084

**AMOUNT**

\$4,000,000

(\$4,000,000)

**FUND**

Uninsured Employers Guaranty Fund

Workmen's Compensation Administration  
Fund

**DATE INTRODUCED**

February 4, 2011

**PRIME SPONSOR**

Representative Mustio

**HISTORY OF BILL**

Referred to LABOR AND INDUSTRY, Feb. 4, 2011

Reported as amended, April 12, 2011

First consideration, April 12, 2011

Laid on the table, April 12, 2011

Removed from table, April 13, 2011

Second consideration, with amendments, April 27, 2011

Re-committed to APPROPRIATIONS, April 27, 2011

(Remarks see House Journal Page ), April 27, 2011

Re-reported as committed, May 2, 2011

Third consideration and final passage, May 2, 2011 (194-0)

(Remarks see House Journal Page ), May 2, 2011

In the Senate

Referred to LABOR AND INDUSTRY, May 6, 2011

Reported as amended, June 14, 2011

First consideration, June 14, 2011

Second consideration, June 20, 2011

Re-referred to APPROPRIATIONS, June 20, 2011

Re-reported as committed, June 21, 2011

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **DESCRIPTION AND PURPOSE OF BILL**

House Bill 440 amends the Workers' Compensation Act of 1915 to add a new section which would authorize insurers to voluntarily provide workers' compensation coverage to sole proprietors, partners in partnerships, and members of LLCs. The coverage will have to be the equivalent to normal workers' compensation coverage.

For the purpose of determining premium charges, wages of the entities shall be at least equal to the minimum payroll of a corporate officer and no more than the maximum payroll of a corporate officer, pursuant to underwriting rules approved by the Insurance Department. The legislation further establishes a rebuttable presumption that wages of an entity are at least equal to the minimum payroll of a corporate officer.

Section 1526, providing coverage for logging-related sole proprietors, is repealed as it is unnecessary with the addition of the new section described above.

The legislation also transfers \$4,000,000 from the Workermen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (UEGF).

### **FISCAL IMPACT:**

No fiscal impact to the Commonwealth will result from the new section authorizing insurers to voluntarily provide coverage to sole proprietors, partners in partnerships, and members of LLCs.

The transfer of the \$4,000,000 from the Workmen's Compensation (WC) Administration Fund to the UEGF is necessary to assure the solvency of the UEGF. The UEGF was initially funded by a one-time transfer of \$1,000,000 from the WC Administration Fund in 2006. The UEGF is maintained by an assessment not to exceed 0.1% of the total compensation paid by all insurers or self-insured employers during the previous calendar year. It is projected that the UEGF will be insolvent in the next few months.

The \$4,000,000 from the Workmen's Compensation Administration Fund is available for transfer to the UEGF from its FY 2010-11 appropriation. This amount was originally allocated for their computer modernization project. Because of a delay in the execution of this contract, this money cannot be utilized or spent for that purpose and thus is available for transfer to the UEGF.