## SENATE BILL NO. 878

## 96TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR MAYER.

Read 1st time February 29, 2012, and ordered printed.

6027S.01I

TERRY L. SPIELER, Secretary.

## AN ACT

To repeal sections 287.067, 287.120, 287.220, 287.715, and 287.800, RSMo, and to enact in lieu thereof five new sections relating to workers' compensation, with an emergency clause.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 287.067, 287.120, 287.220, 287.715, and 287.800,

- 2 RSMo, are repealed and five new sections enacted in lieu thereof, to be known as
- 3 sections 287.067, 287.120, 287.220, 287.715, and 287.800, to read as follows:
  - 287.067. 1. In this chapter the term "occupational disease" is hereby
- 2 defined to mean, unless a different meaning is clearly indicated by the context,
- 3 an identifiable disease arising with or without human fault out of and in the
- 4 course of the employment. Ordinary diseases of life to which the general public
- 5 is exposed outside of the employment shall not be compensable, except where the
- 6 diseases follow as an incident of an occupational disease as defined in this
- 7 section. The disease need not to have been foreseen or expected but after its
- 8 contraction it must appear to have had its origin in a risk connected with the
- 9 employment and to have flowed from that source as a rational consequence.
- 10 2. An injury **or death** by occupational disease is compensable only if the
- 11 occupational exposure was the prevailing factor in causing both the resulting
- 12 medical condition and disability. The "prevailing factor" is defined to be the
- 13 primary factor, in relation to any other factor, causing both the resulting medical
- 14 condition and disability. Ordinary, gradual deterioration, or progressive
- 15 degeneration of the body caused by aging or by the normal activities of day-to-day
- 16 living shall not be compensable.
- 17 3. An injury due to repetitive motion is recognized as an occupational

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

disease for purposes of this chapter. An occupational disease due to repetitive motion is compensable only if the occupational exposure was the prevailing factor in causing both the resulting medical condition and disability. The "prevailing factor" is defined to be the primary factor, in relation to any other factor, causing both the resulting medical condition and disability. Ordinary, gradual deterioration, or progressive degeneration of the body caused by aging or by the normal activities of day-to-day living shall not be compensable.

- 4. "Loss of hearing due to industrial noise" is recognized as an occupational disease for purposes of this chapter and is hereby defined to be a loss of hearing in one or both ears due to prolonged exposure to harmful noise in employment. "Harmful noise" means sound capable of producing occupational deafness.
- 5. "Radiation disability" is recognized as an occupational disease for purposes of this chapter and is hereby defined to be that disability due to radioactive properties or substances or to Roentgen rays (X-rays) or exposure to ionizing radiation caused by any process involving the use of or direct contact with radium or radioactive properties or substances or the use of or direct exposure to Roentgen rays (X-rays) or ionizing radiation.
- 6. Disease of the lungs or respiratory tract, hypotension, hypertension, or disease of the heart or cardiovascular system, including carcinoma, may be recognized as occupational diseases for the purposes of this chapter and are defined to be disability due to exposure to smoke, gases, carcinogens, inadequate oxygen, of paid firefighters of a paid fire department or paid police officers of a paid police department certified under chapter 590 if a direct causal relationship is established, or psychological stress of firefighters of a paid fire department if a direct causal relationship is established.
- 7. Any employee who is exposed to and contracts any contagious or communicable disease arising out of and in the course of his or her employment shall be eligible for benefits under this chapter as an occupational disease.
- 8. With regard to occupational disease due to repetitive motion, if the exposure to the repetitive motion which is found to be the cause of the injury is for a period of less than three months and the evidence demonstrates that the exposure to the repetitive motion with the immediate prior employer was the prevailing factor in causing the injury, the prior employer shall be liable for such occupational disease.

287.120. 1. Every employer subject to the provisions of this chapter shall

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be liable, irrespective of negligence, to furnish compensation under the provisions of this chapter for personal injury or death of the employee by accident or occupational disease arising out of and in the course of the employee's 5 employment[,]. Any employee of such employer shall not be liable for any injury or death for which compensation is recoverable under this chapter and every employer and employees of such employer shall be released from all other liability therefor whatsoever, whether to the employee or any other person, except that an employee shall not be released from liability for injury or death if the employee engaged in an affirmative 10 negligent act that purposefully and dangerously caused or increased 11 12 the risk of injury, and when an employer acts knowingly and is 13 reasonably certain that injury to or death of an employee will result, 14 an employer's acts shall be deemed to make such an injury or death not 15 subject to the exclusive remedy provisions of this section and the employer shall forfeit any and all subrogation rights under this 16 chapter. The term "accident" as used in this section shall include, but not be 17 limited to, injury or death of the employee caused by the unprovoked violence or 18 assault against the employee by any person. 19

- 2. The rights and remedies herein granted to an employee shall exclude all other rights and remedies of the employee, his wife, her husband, parents, personal representatives, dependents, heirs or next kin, at common law or otherwise, on account of such [accidental] injury or death by accident or occupational disease, except such rights and remedies as are not provided for by this chapter.
- 3. No compensation shall be allowed under this chapter for the injury or death due to the employee's intentional self-inflicted injury, but the burden of proof of intentional self-inflicted injury shall be on the employer or the person contesting the claim for allowance.
- 4. Where the injury is caused by the failure of the employer to comply with any statute in this state or any lawful order of the division or the commission, the compensation and death benefit provided for under this chapter shall be increased fifteen percent.
  - 5. Where the injury is caused by the failure of the employee to use safety devices where provided by the employer, or from the employee's failure to obey any reasonable rule adopted by the employer for the safety of employees, the compensation and death benefit provided for herein shall be reduced at least

twenty-five but not more than fifty percent; provided, that it is shown that the employee had actual knowledge of the rule so adopted by the employer; and provided, further, that the employer had, prior to the injury, made a reasonable effort to cause his or her employees to use the safety device or devices and to obey or follow the rule so adopted for the safety of the employees.

- 6. (1) Where the employee fails to obey any rule or policy adopted by the employer relating to a drug-free workplace or the use of alcohol or nonprescribed controlled drugs in the workplace, the compensation and death benefit provided for herein shall be reduced fifty percent if the injury was sustained in conjunction with the use of alcohol or nonprescribed controlled drugs.
- (2) If, however, the use of alcohol or nonprescribed controlled drugs in violation of the employer's rule or policy is the proximate cause of the injury, then the benefits or compensation otherwise payable under this chapter for death or disability shall be forfeited.
- (3) The voluntary use of alcohol to the percentage of blood alcohol sufficient under Missouri law to constitute legal intoxication shall give rise to a rebuttable presumption that the voluntary use of alcohol under such circumstances was the proximate cause of the injury. A preponderance of the evidence standard shall apply to rebut such presumption. An employee's refusal to take a test for alcohol or a nonprescribed controlled substance, as defined by section 195.010, at the request of the employer shall result in the forfeiture of benefits under this chapter if the employer had sufficient cause to suspect use of alcohol or a nonprescribed controlled substance by the claimant or if the employer's policy clearly authorizes post-injury testing.
- 7. Where the employee's participation in a recreational activity or program is the prevailing cause of the injury, benefits or compensation otherwise payable under this chapter for death or disability shall be forfeited regardless that the employer may have promoted, sponsored or supported the recreational activity or program, expressly or impliedly, in whole or in part. The forfeiture of benefits or compensation shall not apply when:
- (1) The employee was directly ordered by the employer to participate in such recreational activity or program;
- (2) The employee was paid wages or travel expenses while participating in such recreational activity or program; or
- 72 (3) The injury from such recreational activity or program occurs on the 73 employer's premises due to an unsafe condition and the employer had actual

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knowledge of the employee's participation in the recreational activity or program and of the unsafe condition of the premises and failed to either curtail the recreational activity or program or cure the unsafe condition.

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- 8. Mental injury resulting from work-related stress does not arise out of and in the course of the employment, unless it is demonstrated that the stress is work related and was extraordinary and unusual. The amount of work stress shall be measured by objective standards and actual events.
- 9. A mental injury is not considered to arise out of and in the course of the employment if it resulted from any disciplinary action, work evaluation, job transfer, layoff, demotion, termination or any similar action taken in good faith by the employer.
- 10. The ability of a firefighter to receive benefits for psychological stress under section 287.067 shall not be diminished by the provisions of subsections 8 and 9 of this section.

287.220. 1. All cases of permanent disability where there has been previous disability, and for which compensation has been awarded or  $^{2}$ which have been filed prior to July 1, 2012, shall be compensated as herein 3 provided. Compensation shall be computed on the basis of the average earnings at the time of the last injury. If any employee who has a preexisting permanent partial disability whether from compensable injury or otherwise, of such seriousness as to constitute a hindrance or obstacle to employment or to obtaining reemployment if the employee becomes unemployed, and the preexisting permanent partial disability, if a body as a whole injury, equals a minimum of fifty weeks of compensation or, if a major extremity injury only, equals a 10 minimum of fifteen percent permanent partial disability, according to the medical 11 standards that are used in determining such compensation, receives a subsequent 12 compensable injury resulting in additional permanent partial disability so that 13 the degree or percentage of disability, in an amount equal to a minimum of fifty 14 weeks compensation, if a body as a whole injury or, if a major extremity injury 15 only, equals a minimum of fifteen percent permanent partial disability, caused 16 17 by the combined disabilities is substantially greater than that which would have resulted from the last injury, considered alone and of itself, and if the employee is entitled to receive compensation on the basis of the combined disabilities, the 19 20 employer at the time of the last injury shall be liable only for the degree or percentage of disability which would have resulted from the last injury had there 21been no preexisting disability. After the compensation liability of the employer

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23 for the last injury, considered alone, has been determined by an administrative law judge or the commission, the degree or percentage of employee's disability that is attributable to all injuries or conditions existing at the time the last injury 2526 was sustained shall then be determined by that administrative law judge or by the commission and the degree or percentage of disability which existed prior to 2728 the last injury plus the disability resulting from the last injury, if any, considered 29 alone, shall be deducted from the combined disability, and compensation for the 30 balance, if any, shall be paid out of a special fund known as the second injury 31 fund, hereinafter provided for. If the previous disability or disabilities, whether from compensable injury or otherwise, and the last injury together result in total 3233 and permanent disability, the minimum standards under this subsection for a body as a whole injury or a major extremity injury shall not apply and the 34 employer at the time of the last injury shall be liable only for the disability 35 36 resulting from the last injury considered alone and of itself; except that if the compensation for which the employer at the time of the last injury is liable is less 37 than the compensation provided in this chapter for permanent total disability, 38 then in addition to the compensation for which the employer is liable and after 39 the completion of payment of the compensation by the employer, the employee 40 shall be paid the remainder of the compensation that would be due for permanent 41 42 total disability under section 287,200 out of a special fund known as the "Second 43 Injury Fund" hereby created exclusively for the purposes as in this section provided and for special weekly benefits in rehabilitation cases as provided in 44 45 section 287.141. Maintenance of the second injury fund shall be as provided by 46 section 287.710. The state treasurer shall be the custodian of the second injury 47 fund which shall be deposited the same as are state funds and any interest accruing thereon shall be added thereto. The fund shall be subject to audit the 48 same as state funds and accounts and shall be protected by the general bond 49 given by the state treasurer. Upon the requisition of the director of the division 50 of workers' compensation, warrants on the state treasurer for the payment of all 5152 amounts payable for compensation and benefits out of the second injury fund shall be issued. 53

2. In all cases in which a recovery against the second injury fund is sought for permanent partial disability, permanent total disability, or death, the state treasurer as custodian thereof shall be named as a party, and shall be entitled to defend against the claim. The state treasurer, with the advice and consent of the attorney general of Missouri, may enter into compromise

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59 settlements as contemplated by section 287.390, or agreed statements of fact that 60 would affect the second injury fund. All awards for permanent partial disability, permanent total disability, or death affecting the second injury fund shall be 61 62 subject to the provisions of this chapter governing review and appeal. For all claims filed against the second injury fund on or after July 1, 1994, the attorney 63 64 general shall use assistant attorneys general except in circumstances where an actual or potential conflict of interest exists, to provide legal services as may be 65 66 required in all claims made for recovery against the fund. Any legal expenses 67 incurred by the attorney general's office in the handling of such claims, including, but not limited to, medical examination fees, expert witness fees, court reporter 68 69 expenses, travel costs, and related legal expenses shall be paid by the fund. Effective July 1, 1993, the payment of such legal expenses shall be 70 contingent upon annual appropriations made by the general assembly, from the 71 72 fund, to the attorney general's office for this specific purpose. Beginning on July 1, 2012, the attorney general shall quarterly transmit the projected 73 74cost of all legal expenses related to defense of the fund, including 75 personnel services and equipment and expenses, to the director. The director shall withhold sufficient funds to meet the quarterly legal 76 expenses, not to exceed one-fourth of the annual appropriation by the 7778 general assembly for this specific purpose. The attorney general shall reduce staff defending the second injury fund in proportion to the 79 80 number of pending cases.

- 3. If more than one injury in the same employment causes concurrent temporary disabilities, compensation shall be payable only for the longest and largest paying disability.
- 4. If more than one injury in the same employment causes concurrent and consecutive permanent partial disability, compensation payments for each subsequent disability shall not begin until the end of the compensation period of the prior disability.
- 5. If an employer fails to insure or self-insure as required in section 287.280, funds from the second injury fund may be withdrawn to cover the fair, reasonable, and necessary expenses incurred and filed prior to July 1, 2012, to cure and relieve the effects of the injury or disability of an injured employee in the employ of an uninsured employer, or in the case of death of an employee in the employ of an uninsured employer, funds from the second injury fund may be withdrawn to cover fair, reasonable, and necessary expenses incurred and

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filed prior to July 1, 2012, in the manner required in sections 287.240 and 95 287.241. In defense of claims arising under this subsection, the treasurer of the state of Missouri, as custodian of the second injury fund, shall have the same 97 98 defenses to such claims as would the uninsured employer. Any funds received by the employee or the employee's dependents, through civil or other action, must 99 100 go towards reimbursement of the second injury fund, for all payments made to the employee, the employee's dependents, or paid on the employee's behalf, from the 101 102second injury fund pursuant to this subsection. The office of the attorney general 103 of the state of Missouri shall bring suit in the circuit court of the county in which the accident occurred against any employer not covered by this chapter as 104 105 required in section 287.280.

- 6. Every [three years] year the second injury fund shall have an actuarial study made to determine the solvency of the fund taking into consideration any existing balance carried forward from a previous year, appropriate funding level of the fund, and forecasted expenditures from the fund. The first actuarial study shall be completed prior to July 1, [1988] 2013. The expenses of such actuarial studies shall be paid out of the fund for the support of the division of workers' compensation.
- 7. The director of the division of workers' compensation shall maintain the financial data and records concerning the fund for the support of the division of workers' compensation and the second injury fund. The division shall also compile and report data on claims made pursuant to subsection 9 of this section. The attorney general shall provide all necessary information to the division for this purpose.
- 8. All claims for fees and expenses filed against the second injury fund and all records pertaining thereto shall be open to the public.
- 121 9. Any employee who at the time a compensable work-related injury is sustained prior and filed prior to July 1, 2012, is employed by more than one 122 123 employer, the employer for whom the employee was working when the injury was 124 sustained shall be responsible for wage loss benefits applicable only to the earnings in that employer's employment and the injured employee shall be 125126 entitled to file a claim against the second injury fund for any additional wage loss 127benefits attributed to loss of earnings from the employment or employments 128 where the injury did not occur, up to the maximum weekly benefit less those benefits paid by the employer in whose employment the employee sustained the 129 injury. The employee shall be entitled to a total benefit based on the total

131 average weekly wage of such employee computed according to subsection 8 of

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- 132 section 287.250. The employee shall not be entitled to a greater rate of
- 133 compensation than allowed by law on the date of the injury. The employer for
- 134 whom the employee was working where the injury was sustained shall be
- 135 responsible for all medical costs incurred in regard to that injury.
- 136 10. The division shall pay any liabilities of the fund in the 137 following priority:
- 138 (1) Expenses related to the legal defense of the fund, under 139 subsection 2 of this section;
- (2) Permanent total disability awards in the order in which such
  claims are settled or finally adjudicated;
- 142 (3) Permanent partial disability awards in the order in which 143 such claims are settled or finally adjudicated;
- 144 (4) Medical expense incurred prior to July 1, 2012, under 145 subsection 5 of this section.
- 146 Such liabilities shall be paid to the extent the fund has a positive
- 147 balance. Any unpaid amounts shall remain an ongoing liability of the
- 148 fund until satisfied. No interest shall accrue on any outstanding
- 149 liabilities of the fund.
  - 287.715. 1. For the purpose of providing for revenue for the second injury
  - 2 fund, every authorized self-insurer, and every workers' compensation policyholder
  - 3 insured pursuant to the provisions of this chapter, shall be liable for payment of
  - 4 an annual surcharge in accordance with the provisions of this section. The
  - 5 annual surcharge imposed under this section shall apply to all workers'
  - 6 compensation insurance policies and self-insurance coverages which are written
  - 7 or renewed on or after April 26, 1988, including the state of Missouri, including
  - 8 any of its departments, divisions, agencies, commissions, and boards or any
  - 9 political subdivisions of the state who self-insure or hold themselves out to be any
- 10 part self-insured. Notwithstanding any law to the contrary, the surcharge
- 11 imposed pursuant to this section shall not apply to any reinsurance or
- 12 retrocessional transaction.
- 13 2. Beginning October 31, 2005, and each year thereafter, the director of
- 14 the division of workers' compensation shall estimate the amount of benefits
- 15 payable from the second injury fund during the following calendar year and shall
- 16 calculate the total amount of the annual surcharge to be imposed during the
- 17 following calendar year upon all workers' compensation policyholders and

authorized self-insurers. The amount of the annual surcharge percentage to be 18 19 imposed upon each policyholder and self-insured for the following calendar year commencing with the calendar year beginning on January 1, 2006, shall be set at 20 21and calculated against a percentage, not to exceed three percent, of the 22policyholder's or self-insured's workers' compensation net deposits, net premiums, 23 or net assessments for the previous policy year, rounded up to the nearest 24 one-half of a percentage point, that shall generate, as nearly as possible, one 25hundred ten percent of the moneys to be paid from the second injury fund in the 26 following calendar year, less any moneys contained in the fund at the end of the 27previous calendar year. All policyholders and self-insurers shall be notified by 28 the division of workers' compensation within ten calendar days of the determination of the surcharge percent to be imposed for, and paid in, the 29 following calendar year. The net premium equivalent for individual self-insured 30 employers and any group of political subdivisions of this state qualified to 31 self-insure their liability pursuant to this chapter as authorized by section 32 33 537.620 shall be based on average rate classifications calculated by the department of insurance, financial institutions and professional registration as 34 taken from premium rates filed by the twenty insurance companies providing the 35 36 greatest volume of workers' compensation insurance coverage in this state. For 37 employers qualified to self-insure their liability pursuant to this chapter, the 38 rates filed by such group of employers in accordance with subsection 2 of section 39 287.280 shall be the net premium equivalent. The director may advance funds from the workers' compensation fund to the second injury fund if surcharge 40 collections prove to be insufficient. Any funds advanced from the workers' 41 compensation fund to the second injury fund must be reimbursed by the second 42injury fund no later than December thirty-first of the year following the 43 advance. The surcharge shall be collected from policyholders by each insurer at 44 the same time and in the same manner that the premium is collected, but no 45 insurer or its agent shall be entitled to any portion of the surcharge as a fee or 46 47 commission for its collection. The surcharge is not subject to any taxes, licenses or fees. 48

3. All surcharge amounts imposed by this section shall be deposited to the credit of the second injury fund.

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4. Such surcharge amounts shall be paid quarterly by insurers and self-insurers, and insurers shall pay the amounts not later than the thirtieth day of the month following the end of the quarter in which the amount is received

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from policyholders. If the director of the division of workers' compensation fails to calculate the surcharge by the thirty-first day of October of any year for the following year, any increase in the surcharge ultimately set by the director shall not be effective for any calendar quarter beginning less than sixty days from the date the director makes such determination.

- 5. If a policyholder or self-insured fails to make payment of the surcharge or an insurer fails to make timely transfer to the division of surcharges actually collected from policyholders, as required by this section, a penalty of one-half of one percent of the surcharge unpaid, or untransferred, shall be assessed against the liable policyholder, self-insured or insurer. Penalties assessed under this subsection shall be collected in a civil action by a summary proceeding brought by the director of the division of workers' compensation.
- 66 6. In order to maintain the fiscal solvency of the second injury 67 fund, should the anticipated collections authorized in subsection 2 of this section fail to be sufficient to meet its current and anticipated 68 legal obligations, provide funds to settle cases, and provide funds for 69 70 the administration of the fund for calendar years 2013, 2014, 2015, 2016, 2017, 2018, and 2019, the director of the division of workers' 71compensation, shall determine the amount of revenue so 72required. Notwithstanding subsection 2 of this section to the contrary, 73 such necessary funds as determined by the director of the division of 74workers' compensation shall be collected with a supplemental 75surcharge, not to exceed one and one-half percent, calculated in like 76 77manner as authorized in subsection 2 of this section. All policyholders and self-insurers shall be notified by the division of workers' 78 compensation of the supplemental surcharge percent to be imposed for 79 such period of time as part of the notice provided in subsection 2 of 80 this section. The provisions of this subsection shall expire on 81 December 31, 2019. 82
- 83 7. In order to maintain the fiscal solvency of the second injury 84 fund, should the anticipated collections authorized in subsections 2 and 85 6 of this section fail to be sufficient to meet its current and anticipated 86 legal obligations, provide funds to settle cases, and provide funds for the administration of the fund for calendar years 2014, 2015, 2016, 2017, 87 2018, and 2019, the second injury fund commission shall determine on 88 or before October thirty-first the amount of revenue so required for the 89 following calendar year. Notwithstanding subsection 2 of this section 90

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to the contrary, such necessary funds as determined by the second injury fund commission shall be collected with a supplemental surcharge, not to exceed one and one-half percent, calculated in like manner as authorized in subsection 2 of this section. All policyholders and self-insurers shall be notified by the division of workers' compensation of the supplemental surcharge percent to be imposed for such period of time as part of the notice provided in subsection 2 of this section. The provisions of this subsection shall expire on December 31, 2019.

- 8. Once the number of pending cases is reduced to the point where the number of staff with the attorney general's office defending the second injury fund can be reduced from July 2012 levels, the attorney general shall begin reducing such staff in proportion to the number of pending cases which remain.
- 9. Funds collected under the provisions of this chapter shall be the sole funding source of the second injury fund.
- 107 "Second Injury Fund Commission" 10. The hereby 108 established. The second injury fund commission shall be composed of 109 four members including the governor, the attorney general, the 110 president pro tempore of the senate, and the speaker of the house of representatives. Commission members may not appoint a designee to serve in their absence. The second injury fund commission shall 112113 convene as necessary as determined by the governor. The second injury fund commission shall also reconvene within thirty days of any 114official written request submitted to the governor by any member of the 115second injury fund commission. The surcharge amount as authorized 116117 under subsection 7 of this section shall be reviewed and established annually by the second injury fund commission by a three-fourths vote. 118 The office of attorney general and the division of workers' 119 compensation shall provide technical assistance and support to the 120 members of the second injury fund commission, for purposes of this 121section. The members of the second injury fund commission shall 122receive no compensation in addition to their salary as governor, 123124attorney general, or members of the general assembly, but may receive their necessary expenses while attending the meetings of the 125 commission, to be paid out of the second injury fund. 126

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judges, legal advisors, the labor and industrial relations commission, the division
 of workers' compensation, and any reviewing courts shall construe the provisions
 of this chapter strictly.

2.] Administrative law judges, associate administrative law judges, legal advisors, the labor and industrial relations commission, and the division of workers' compensation shall weigh the evidence impartially without giving the benefit of the doubt to any party when weighing evidence and resolving factual conflicts.

Section B. Because it is necessary to ensure proper coverage and liability under the workers' compensation laws of the state, section A of this act is deemed necessary for the immediate preservation of the public health, welfare, peace and safety, and is hereby declared to be an emergency act within the meaning of the constitution, and section A of this act shall be in full force and effect upon its passage and approval.

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