

Supreme Court Decision on Departing Employees & Releasing Workers' Compensation Claims Against Employer

Working Together

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The Connecticut Supreme Court recently released a decision, SC19085 that puts to bed an issue that frequently arises when employers attempt to have departing employees release ALL claims against the company – including workers' compensation claims. In *Leonetti v. MacDermid, Inc.*, the employer and employee entered into a settlement agreement to pay the employee \$70,000 *severance pay* in consideration of his abandoning any and all claims against the company, which by its broad terms would have included a long pending work-related back injury claim.

The company failed to recognize that private agreements settling workers' compensation claims (both "stipulations" and so called "voluntary agreements") must be approved by a Workers' Compensation Commissioner. The Agreement here did not specifically mention the work-related injury, nor was any specific portion of the consideration allocated to the settlement of that old claim. After the Agreement was signed and after the money was paid, the former worker's attorney arranged for a workers' compensation hearing where the commissioner credited the testimony of the worker that he did not intend to release his workers' compensation claim and that none of the consideration was intended to apply to his prior injuries, but was for his "years of service" at the company. This decision was upheld on appeal. The Supreme Court found that:

"Regardless of whether the agreement entered into by the parties might be enforceable at common law, '[a]s in the case of a voluntary agreement, no stipulation is binding until it has been approved by the commissioner.' *Muldoon v. Homestead Insulation Co.*, 231 Conn. 469, 480, 650 A.2d 1240 (1994). Thus, in the present case, the agreement signed by the parties had no effect on the claimant's workers' compensation claim unless and until the commissioner approved the agreement."

Since the agreement to release the employer from the workers' compensation injury was never approved by the commissioner, the workers' compensation claim was never released and the employer was still on the hook for it.

The lesson here is that ALL agreements to settle workers' compensation claims must be approved by a commissioner or the agreement is of no effect – even if the release is in a severance agreement and the employer paid the settlement that agreement specified.

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