



## Parent Company Providing Workers Compensation Can't Be Sued By Subsidiary's Employee

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With one child currently in college and two having graduated in recent years, I sympathize with parents who wonder what they get—other than eternal love—for the expense of raising and educating their children. A recent decision of the Illinois Appellate Court makes the rewards more tangible for Illinois contractors purchasing workers' compensation insurance for their corporate families.

In [Munoz v. Bulley & Andrews, LLC](#), the Illinois Appellate Court held that a parent company contractually obligated to maintain workers compensation insurance for its subsidiary is immune from civil litigation by the subsidiary's employee for an injury suffered on the construction project managed by the parent. This decision could impact how many businesses structure their corporate families, insurance coverage programs, and third-party contracts.

In this case, Bulley & Andrews, LLC (Bulley LLC) was hired as construction manager for a Chicago office project. The contract required Bulley LLC to carry workers compensation insurance for itself and all subcontractors. Bulley LLC purchased the required insurance, which also named its wholly owned subsidiary Bulley Concrete Restoration, LLC (Bulley Concrete) as an insured. Bulley LLC used employees of Bulley Concrete to do some work on the project but did not enter into a written subcontract for that work.

Munoz, an employee of Bulley Concrete, was injured on the job and filed a

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workers compensation claim. Because the workers compensation policy had a \$250,000 deductible, Bulley LLC paid Munoz' medical bills.

Munoz then filed a civil lawsuit against Bulley LLC and other companies involved in the construction project. Bulley LLC filed a motion to dismiss, arguing that the Illinois workers compensation statute immunizes Bulley LLC from liability beyond the workers compensation benefits it was already paying. Munoz responded that, as an employee of subsidiary Bulley Concrete rather than parent Bulley LLC, he was free to pursue a civil lawsuit against Bulley LLC. The trial court granted Bulley LLC's motion to dismiss.

The appellate court affirmed, holding that "[d]espite the fact that Bulley LLC was not the direct employer of plaintiff, as it bore the burden of furnishing workers' compensation benefits for plaintiff, it was entitled to avail itself of the exclusive remedy provisions" of the workers compensation act.

To support its reasoning, the court looked to two earlier Illinois Supreme Court cases. In one case, a general contractor was not immune from suit after having paid workers compensation benefits without a contractual obligation to do so. In the other, the Illinois Supreme Court held that an employee of a joint venture could not sue the joint venture, which was contractually required to reimburse the workers compensation insurance premiums paid by one of its constituent entities. The *Munoz* court also relied on a case by another Illinois Appellate Court district that allowed a parent company to invoke workers compensation immunity because it was required by agreement with its subsidiary to pay the benefits for the subsidiary's injured workers.

The *Munoz* opinion, including its analysis of earlier precedents, shows that the exclusive remedy provisions of the Illinois workers compensation statute can extend beyond an injured worker's direct employer. The key is for the company claiming immunity to pay the workers compensation insurance premiums or benefits under a pre-existing contractual obligation. *Munoz* identifies a few different ways that have been successfully accomplished. While *Munoz* should not be viewed as a prescription that guarantees immunity, a corporate family that contractually uses a similar workers compensation structure can cite *Munoz* in an effort to insulate from civil litigation not only the direct employer but also a related entity that provides for workers compensation.

Raising and paying for my children's education may not give me such statutory benefits, but the intangible rewards are worth far more than the investment.

*Editor's note: The Munoz decision remains subject to modification and correction until the time for filing a petition for rehearing has expired.*