

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956
Chapter 23
WORKER'S COMPENSATION INSURANCE RATES

500.2301 Participation in facility by insurers required; purposes.

Sec. 2301.

Each insurer authorized to write worker's compensation insurance in this state shall participate in the Michigan worker's compensation placement facility for the purpose of doing all of the following:

(a) Providing worker's compensation insurance to any person who is unable to procure the insurance through ordinary methods.

(b) Preserving to the public the benefits of price competition by encouraging maximum use of the normal private insurance system.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983 ;-- Am. 1993, Act 200, Eff. Dec. 28, 1994

Compiler's Notes: Section 3 of Act 200 of 1993 provides as follows: "Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

Popular Name: Act 218

500.2303 Definitions.

Sec. 2303.

As used in this chapter:

(a) "Facility" means the Michigan worker's compensation placement facility created under this chapter.

(b) "Participating member" means an insurer who is a member of the facility and who in any given calendar year has a participation ratio greater than zero in the facility for that year.

(c) "Participation ratio" means the ratio of the participating member's voluntary Michigan worker's compensation premiums to the comparable statewide totals of all participating members.

(d) "Worker's compensation insurance" means insurance which provides any of the following:

(i) Security required pursuant to the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, as amended, being sections 418.101 to 418.941 of the Michigan Compiled Laws.

(ii) Security required pursuant to the United States longshoreman's and harbor worker's compensation act.

(iii) Coverage customarily known as employer's liability insurance, when contained in or endorsed to a policy providing the security in subparagraph (i) or (ii).

History: Add. 1982, Act 8, Eff. Jan. 1, 1983 ;-- Am. 1993, Act 200, Eff. Dec. 28, 1994

Compiler's Notes: Section 3 of Act 200 of 1993 provides as follows: "Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

Popular Name: Act 218

500.2310 Facility; operation; board of governors; appointment, terms, and qualifications of members.

Sec. 2310.

The facility shall operate subject to the supervision of a board of governors appointed by the commissioner. The members of the board of governors shall serve for terms of 2 years. The board shall consist of 5 participating

members, 2 worker's compensation insurance policyholders, 1 licensed agent, and 1 member representing the general public.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983

Popular Name: Act 218

500.2312 Facility; plan of operation; preparation, approval, review, and revision; required provisions; application of plans to insureds; retrospective evaluation of premiums and loss and expense experience.

Sec. 2312.

(1) A plan of operation of the facility shall be prepared by the board of governors and shall be subject to the approval of the commissioner. The commissioner shall review the plan of operation on an ongoing basis, and the plan shall be subject to revision at the request of the commissioner at any time.

(2) The plan of operation shall provide for all of the following:

(a) Appointment by the board of governors of 1 or more servicing carriers, subject to the approval of the commissioner. Appointments may be rescinded for cause by either the board subject to the approval of the commissioner, or by the commissioner.

(b) Creation of servicing carrier performance standards including all of the following:

(i) Sufficient personnel to provide support for safety management services offered by the plan.

(ii) Providing for sufficient personnel for claims adjustment.

(c) Agreements among all insurers authorized to write worker's compensation insurance in this state with respect to the equitable apportionment among them of worker's compensation insurance which may be afforded applicants who are in good faith entitled to, but who are unable to procure such insurance through ordinary methods.

(d) Payment of commissions to producing agents not to exceed 5% of a total premium.

(e) Creation of 3 rating plans as follows:

(i) Rating plan "A" which shall provide coverage for insureds who have a demonstrated accident frequency problem, who have a measurably adverse loss ratio over a period of years, or who have demonstrated an attitude of noncompliance with safety requirements. The commissioner shall approve rates for rating plan A which shall be adequate to cover losses and which shall not be excessive, inadequate, or unfairly discriminatory. This plan shall contain a system of surcharges established by the board of governors and approved by the commissioner.

(ii) Rating plan "B" which shall provide coverage to those employers who apply for worker's compensation insurance in the facility and are either self-insured or a member of a self-insurance group. This plan shall be established by the board of governors of the facility and approved by the commissioner. The commissioner shall convene and consult with an advisory organization including representatives of self-insureds and group self-insureds prior to approving rating plan "B". The recommendations of the advisory organization shall be given reasonable consideration by the commissioner. The commissioner shall approve rates for rating plan B which shall be adequate to cover losses and which shall not be excessive, inadequate, or unfairly discriminatory.

(iii) Rating plan "C" which shall provide coverage to all other insureds of the facility. Rating plan "C" shall not contain any surcharge system. The commissioner shall approve rates for rating plan C that are set through the lower of either of the following methods:

(A) By using 20% of the loss experience of insurers from employers while participants in rating plan C and 80% of the statewide loss experience of all insurers writing worker's compensation insurance in this state.

(B) Through the use of rates adequate to cover losses and which shall not be excessive, inadequate, or unfairly discriminatory.

(f) Prompt and fair hearings for purposes of section 2350.

(3) The application of the plans created under subsection (2)(e) to insureds shall be as determined by the commissioner. The plans shall be applied to insureds regardless of the number of employees or amount of payroll of the insured.

(4) Retrospective evaluation of premiums and loss and expense experience of insureds within each rating plan under subsection (2)(e) shall be performed by the board of governors, in a manner approved by the commissioner. If this evaluation indicates that a return of a portion of premiums is in order, then such a return shall be accomplished, subject to the approval of the commissioner.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983 ;-- Am. 1990, Act 137, Eff. June 29, 1990 ;-- Am. 1993, Act 200, Eff. Dec. 28, 1994

Compiler's Notes: Section 3 of Act 200 of 1993 provides as follows: "Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted

transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws.”
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500.2318 Facility; classification and rating systems; determination and use.

Sec. 2318.

(1) The classification and rating systems of the facility shall be determined by the designated advisory organization, subject to the requirements of this chapter and the approval of the commissioner.

(2) Every participating member designated to act on behalf of the facility shall be authorized to use the classification and rating systems of the facility on business placed through the facility and shall not use other rates for worker's compensation insurance placed through the facility.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983

Popular Name: Act 218

500.2320 Facility; deferred premium payment plans.

Sec. 2320.

The facility shall provide for deferred premium payment plans which shall include sufficient advance payments at least equal to the pro rata earned premium at all times.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983

Popular Name: Act 218

500.2322 Agent authorized to solicit, negotiate, or effect worker's compensation insurance on behalf of facility or participating member; rights and duties.

Sec. 2322.

Every agent who is authorized to solicit, negotiate, or effect worker's compensation insurance on behalf of the facility or on behalf of any participating member shall:

(a) Offer to place worker's compensation insurance through the facility for any applicant requesting the agent to do so.

(b) Be entitled to receive, and any participating member be entitled to pay, a commission for placing insurance through the facility at the uniform rates of commission as provided in the plan of operation.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983

Popular Name: Act 218

500.2350 Formal hearing and ruling by facility board of governors; request; appeal; commissioner's order.

Sec. 2350.

(1) Any participating member, applicant, person, or business insured under a policy placed through the facility may request a formal hearing and ruling by the board of governors of the facility on any of the following:

- (a) An alleged violation of the plan of operation.
- (b) Any alleged improper act or ruling of the facility affecting an assessment, premium, or coverage furnished.
- (2) Any formal ruling of the board of governors of the facility may be appealed to the commissioner by filing notice of appeal with the facility and the commissioner within 30 days after receipt of the written ruling.
- (3) The commissioner shall issue an order either upholding the board of governors' ruling or reversing its ruling.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983

Popular Name: Act 218

500.2352 Determinations made by commissioner.

Sec. 2352.

Determinations made by the commissioner pursuant to this chapter shall be made independent of the credits provided to insurers pursuant to the former single business tax act, 1975 PA 288, or the Michigan business tax act, 2007 PA 36, MCL 208.1101 to 208.1601.

History: Add. 1987, Act 261, Imd. Eff. Dec. 28, 1987 ;-- Am. 2007, Act 187, Imd. Eff. Dec. 21, 2007

Compiler's Notes: The reference to "1975 PA 288" evidently should read "1975 PA 228".

Popular Name: Act 218