



**House
Legislative
Analysis
Section**

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PRIVATE STATUS FOR ACCIDENT FUND

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House Bill 4659

Sponsor: Rep. Terry London

Committee: Labor

Complete to 5-25-89

A SUMMARY OF HOUSE BILL 4659 AS INTRODUCED 4-13-89

The bill would amend the Worker's Disability Compensation Act by repealing that section of the act that created the accident fund, and replacing it with provisions that would grant the accident fund private status. The structure of the fund would remain the same, with the following provisions:

Under the bill, the accident fund would be created as an independent membership organization, separate and distinct from the state. It would be neither an agency nor an instrumentality of the state, and its employees would not be considered state employees. It would, however, qualify for a certificate of authority to transact insurance and would be subject to the Insurance Code and any other state laws and rules of the insurance commissioner in the same manner as a domestic mutual insurer authorized to transact all kinds of insurance, except life insurance. The fund would be a member of the Property and Casualty Guaranty Association created by the Insurance Code and state laws, could reinsure its catastrophic risks with authorized insurers, could secure membership in any authorized organization of insurers engaged in joint underwriting, joint reinsurance, or operating an assigned risk plan, and could secure membership in or subscribe for services of any authorized advisory or statistical organization.

The independent accident fund created by the bill would assume the current organization's assets and liabilities, and would provide worker's compensation insurance and employers' liability insurance written in connection with worker's compensation insurance, including longshoremen's and harbor worker's compensation insurance, as required. It could also engage in the business of servicing any approved worker's compensation self-insurance program. The fund would determine employers' premiums, using insurance rates, rating systems, and plans and practices in accordance with the Insurance Code and other applicable state laws. The fund would be required to maintain facilities necessary for its operations, and could acquire and hold real estate in accordance with state insurance laws. Assets of the fund would accrue to the benefit of the member employers.

Under the bill, the governing board of the fund could transfer all, or a portion, of the fund's assets and obligations to any other insurer. The transfer would be subject to review and approval by the insurance commissioner, who would not approve the transfer unless it would be considered within the purposes of the act, and the assets to be transferred were reasonably related to the obligations to be assumed. The commissioner could attach reasonable and necessary conditions to a transfer, which would be binding on both the transferee and the transferor, and which could include conditions that would:

-- Assure continued worker's compensation insurance coverage at a reasonable price for eligible employers.

House Bill 4659 (5-25-89)

-- Require the insurer to guarantee, assume, or reinsure or cause to be guaranteed, assumed, or reinsured all contracts and policies of the fund.

-- Assure the termination of all obligations of the fund.

MCL 418.761 et al.