

Administrative Rule Analysis



WORKERS' COMPENSATION GENERAL RULES

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Department: Licensing and Regulatory Affairs
Agency: Workers' Compensation Agency
Rule Set No.: 2015-028-LR

Complete to: 08/25/15

BACKGROUND & SUMMARY OF PROPOSED RULES SUBMITTED TO JCAR

2015-028-LR would amend the rule pertaining to the investment of surplus funds, not immediately needed to offset benefit claims and administrative costs, contributed by public and private employer groups who are authorized to self-insure for workers' compensation coverage pursuant to Section 611 of the Worker's Disability Compensation Act of 1969. These employer groups, of which there were 31 as of 02/05/15, elect boards of trustees who then designate or hire individuals to act as administrators of pooled funds supported by premiums charged to member employers.

Under the current rules, investment of surplus funds is subject to the following restrictions:

- Not less than 55.0% of the market value of the investment portfolio must be either:
 - Invested in securities issued by the U.S. Treasury, U.S. government agencies, or U.S. government-sponsored enterprises
 - Deposited into federally-insured accounts of commercial banks, saving and loan associations, or credit unions located in the state
- Not more than 45.0% of the market value of the investment portfolio may be invested in corporate or municipal bonds rated "A" or better by at least two nationally-recognized credit rating agencies
 - Of this 45.0%, not more than 25.0% of the market value of the investment portfolio may be invested in common or preferred stocks issued by publically owned companies traded on domestic regulated exchanges

2015-028-LR would increase the proportion of surplus funds that could be invested in common or preferred stocks from 25.0% of the 45.0% described above (effectively 11.25% of total surplus funds) to 45.0% of the 45.0% described above (effectively 20.25% of total surplus funds).

FISCAL IMPACT OF PROPOSED RULES

The rule amended by 2015-028-LR would not have a significant fiscal impact on the state government since the proposed rule change would not create additional administrative costs for the Workers' Compensation Agency and the State of Michigan individually self-insures for workers' compensation coverage and, accordingly, is not a member of an employer group that could be affected by the rule change.

2015-028-LR could have a fiscal impact on local units of government who opt and are authorized to participate in employer groups that self-insure for workers' compensation coverage to the extent that increasing the amount of surplus funds available for investment in eligible equity securities affects

the financial condition of such public employer groups and, consequently, the premiums charged to member employers.¹

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¹ The following public employer groups were authorized to self-insure for workers' compensation coverage as of 02/05/15: County road Association Self Insurance Fund, Metropolitan Association for Improved School Legislation Workers' Compensation Fund, Michigan Counties Workers' Compensation Fund, Michigan Municipal League Workers' Compensation Self-Insured Fund, Middle Cities Workers' Compensation Fund, School Employers Group Self-Insurers Workers' Compensation Fund, and the West Michigan Workers' Compensation Fund.