

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1410 (Substitute S-1 as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Committee: Financial Services

Date Completed: 10-16-02

RATIONALE

Under the Worker's Disability Compensation Act, when an insurer issues a workers' compensation policy, the insurer is required to file a notice of the policy's issuance and effective date. The notice must be filed with the Director of the Bureau of Worker's and Unemployment Compensation within 30 days after the policy's effective date. Insurers also file notices of a policy's cancellation or termination, as well as notices of name changes. According to a spokesperson for the Bureau, it receives over 200,000 of these communications each year. In order to reduce paperwork and increase efficiency, it has been suggested that insurers should have the option of filing notices electronically.

CONTENT

The bill would amend the Worker's Disability Compensation Act to allow insurers to submit certain notices either in writing or electronically.

Specifically, a notice of issuance or termination of insurance, or a notice of employer name change could be submitted in writing or by the use of Bureau-approved electronic record layout and transaction standards. The insurer could submit the notice directly or the Compensation Advisory Organization of Michigan could submit it on the insurer's behalf. Neither the Bureau of Worker's and Unemployment Compensation nor a third party could require payment for the use of Bureau-approved electronic record layout and transaction standards under the Act. Time requirements for notices under the Act would apply whether they were filed by the insurer or the Compensation Advisory Organization.

(Pursuant to Public Act 7 of 1982, the Compensation Advisory Organization is the designated entity responsible for collecting historical data from workers' compensation insurers and compiling premium data.)

The Act also allows the Bureau Director to assess a civil fine of up to \$750 against an insurer for numerous intentional violations of the reporting requirements. Alternatively, the Director may proceed under Section 631 (which provides for the revocation of an insurer's license, or an employer's privilege to be a self-insurer, for repeated failure to pay compensation or make required reports). Neither provision applies after the Director certifies that an electronic data reporting system is operational. The bill would delete these provisions (though it would not amend Section 631).

MCL 418.625

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By allowing workers' compensation insurers to file policy notices electronically, the bill would simplify the work of both the insurers and the Bureau. Rather than generating and sending paper copies, insurers could comply with the filing requirements by transmitting documents by e-mail, for example, if the Bureau approved that method of transmission. At the same time, the Bureau would require fewer resources to file and store massive paperwork. Currently, the Bureau employs a data encoder who enters information from the notices into

the computer system. This approach can be slow and it leaves room for clerical errors. Electronic filing would be faster and more accurate. It would be purely optional, however. Insurers that did not have the capability to file electronically, or chose not to do so, still could file hard-copy notices.

Supporting Argument

The bill would remove an unnecessary provision in Section 625 that allows the Bureau Director to fine an insurer for numerous intentional violations of the filing requirements. This provision is not needed because the Director also may proceed under Section 631, and still could do so without the language in Section 625. Under Section 631, the Director may recommend to the Commissioner of the Office of Financial and Insurance Services that an insurer's license be revoked, if the insurer has repeatedly failed to make required reports. According to an official with the Bureau, proceeding under Section 631 is much more effective than imposing a fine would be, and the Bureau never uses the option to fine insurers. Furthermore, the provisions that the bill would delete will not apply once an electronic data reporting system becomes operational. This system is expected to be in place by June 2003.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Maria Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.