

MICHIGAN MUNICIPAL LEAGUE
WORKERS' COMPENSATION FUND

BYLAWS OPERATING PROCEDURES COVERAGE DOCUMENT

December 2014

Forward

The Fund Bylaws, Operating Procedures and Coverage Summary result from actions by the Michigan Municipal League Workers' Compensation Fund Board of Trustees and from requirements of the Michigan Workers' Compensation Agency.

This compilation provides a convenient reference source of information for Fund Trustees, officials of present and prospective Fund members and the staff.

The Fund Trustees retain the right to change, add to, deviate from, or discontinue any policies or procedures contained herein.

Please address any questions or comments about the operation of this Fund to the Risk Management Division of the Michigan Municipal League in Ann Arbor.

Michigan Municipal League Workers' Compensation Fund

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Michigan Municipal League Workers' Compensation Fund

BYLAWS

ARTICLE I

Name, Purposes, Authority and Creation

Section 1. Name The name of the organization shall be the Michigan Municipal League Workers' Compensation Fund (hereinafter "the Fund").

Section 2. Purposes The Fund is a group self-insured program which provides workers' disability compensation benefits to the injured employees of Fund Members. Fund services are designed to provide members with greatly improved loss control information, and to minimize the cost of workers' disability compensation claims. The Fund also provides information about State administrative activities and group representation on legislative issues involving workers' disability compensation.

Section 3. Authority The Fund is comprised of public employers of the State of Michigan (hereinafter "Members") which are authorized and approved under Section 611(2) of the Workers' Disability Compensation Act, PA 317 of 1969, as amended, (MCLA 418.611, MSA 17.237 (611)) (hereinafter "the Act"), to enter into agreements to pool their liabilities under the Act for the purpose of qualifying as self-insurers.

Section 4. Creation The Fund was created by the Michigan Municipal League (hereinafter "the League") pursuant to a resolution of the League Board of Trustees adopted on July 17, 1976.

ARTICLE II

Offices

Section 1. Principal Office The principal office of the Fund shall be located in the City of Ann Arbor, Michigan.

Section 2. Other Offices The Fund may have offices at such places within the State of Michigan as the Board of Trustees may determine or the business of the Fund may require.

ARTICLE III

Members

Section 1. Class of Members There shall be one class of membership in the Fund.

Section 2. Eligibility Any city, village, township, county, or other public agency that is considered by the Michigan Workers' Compensation Agency (herein after "the Agency") as a public employer is eligible for consideration as a Fund Member. Cities and villages must maintain membership in the League, and other Members must maintain limited associate status in the League, to maintain their eligibility for Fund membership.

Section 3. Requirements Each Member shall be required to:

- (a) Adopt and execute any agreements required by law or the Fund's Board of Trustees;
- (b) Make and enforce such reasonable safety regulations and take such safety precautions as may be required by the Fund;
- (c) Comply with the policies and the operating procedures promulgated by the Board of Trustees; and

- (d) Satisfy all other requirements that may from time to time be established by the Board of Trustees and appropriate governmental or regulatory authorities.

Section 4. Termination

- (a) The Fund will terminate any Member that does not maintain its status as a member or limited associate of the League. A Member's termination will take effect at its next premium anniversary date occurring more than sixty (60) days after the loss of member or limited associate status with the League.
- (b) A Member is required to timely pay to the Fund the premium as determined by the Fund. Failure to pay the premium when due shall subject the Member to termination.
- (c) A Member must comply with policies or operating procedures of the Board of Trustees, and satisfy requirements established by the Board of Trustees or any appropriate governmental agency. Failure to do so may result in termination. A Member that engages in conduct that may be detrimental to the operational or fiscal soundness or efficiency of the Fund is subject to termination. Termination of membership under this subsection shall be carried out under rules established by the Board of Trustees.

Section 5. Withdrawal A Member may withdraw from the Fund by giving at least sixty (60) days notice in writing to the Board of Trustees.

ARTICLE IV Board of Trustees

Section 1. Governing Body The Fund is governed by the Board of Trustees who shall operate the Fund on behalf of the Members pursuant to the Bylaws.

Section 2. Number of Trustees The Board of Trustees shall consist of thirteen (13) Trustees. Twelve (12) Trustees will be elected by the Members and one Trustee will be the Executive Director of the League.

Section 3. Qualifications Other than the Executive Director of the League, a Trustee must be an official or an employee of a Member. A Trustee shall not be an owner, officer or employee of a service agent.

Section 4. Nomination of Trustees Trustees shall be nominated by a committee appointed by the Fund Chair. Two (2) Trustees and the League Executive Director shall be the nominating committee.

Section 5. Election Trustees shall be elected by Members by mail or electronic ballot. The nominees with the highest number of votes shall be declared elected for as many Trustee positions as are to be filled. The vote of each Member shall be cast as determined by each Member's governing body. A Member's governing body has the authority to delegate or assign to the highest ranking administrative employee of the Member, the authority to vote on behalf of the governing body.

Section 6. Term Trustees shall be elected to serve for a term of four (4) years beginning October 1. No Trustee shall serve for more than three (3) consecutive four-year terms, except that the Executive Director of the League shall be a Trustee so long as he/she retains that position. The terms of Trustees elected prior to October 1, 2014 shall be amended to coincide with this provision.

Section 7. Vacancies Any Trustee vacancy due to death, resignation, disqualification or inability to act shall be filled until the next succeeding election by appointment by the remaining Fund Trustees.

Section 8. Disqualification Any trustee who ceases to be an official or an employee of a Member shall cease to be a Trustee.

Section 9. Removal An elected Trustee may be removed with or without cause by a majority vote of the remaining Trustees.

Section 10. Compensation Trustees shall be entitled to reimbursement of actual expenses incurred in attendance at official Fund meetings, and, except for the League Director, may be reimbursed on a per diem basis for attendance at Fund meetings if approved by a three-fourth vote of Trustees.

ARTICLE V Meetings of Trustees

Section 1. Time and Place of Meetings There shall be at least two meetings of the Board of Trustees during each Fund year. Meetings of the Board of Trustees will be held at the time and place fixed by the Board or the Chair.

Section 2. Notice of Meetings Written notice of all meetings stating the time, place and purposes of the meeting shall be given either personally, by mail, or by electronic mail not less than seven (7) nor more than sixty (60) days prior to the date fixed for the meeting.

Section 3. Waiver of Notice of Meetings Notice of any meeting of the Board of Trustees need not be given to a Trustee who signs a waiver of notice before or after the meeting. Attendance of a Trustee at a meeting of the Board of Trustees constitutes a waiver of notice of such meeting, except when the Trustee protests at the beginning of the meeting that the meeting is improperly called or convened.

Section 4. Special Meetings Special meetings may be called by the Chair, Fund Administrator, or any four (4) Trustees.

Section 5. Quorum A majority of the Trustees shall constitute a quorum for the transaction of business, and the act of a majority of those Trustees present at any meeting at which there is a quorum shall be the act of the Board, except as provided by law.

Section 6. Conduct of Meetings Meetings of Trustees generally shall follow accepted rules of parliamentary procedure, except for the Chair of the Board shall have authority over matters of procedure and may adopt any other form or procedure suited to the business being conducted.

Section 7. Action Without a Meeting Any action required or permitted to be taken at any meeting of the Board of Trustees may be taken without a meeting or prior notice or vote if, before or after the action, a written or electronic consent thereto is signed by all members of the Board of Trustees. Such consent shall have the same effect as a vote of the Board for all purposes.

Section 8. Participation by Telephone A meeting by means of conference telephone call is permitted in lieu of a personal meeting. Participation in such conference telephone call shall constitute presence in person at the meeting.

Section 9. Participation by Ballot Under rules established by the Board of Trustees, business of the Board may be conducted by mail or electronic ballot.

ARTICLE VI Officers

Section 1. Election On an annual basis, the Board of Trustees shall elect a Chair, Vice Chair and Secretary. Unless otherwise specified by the Board of Trustees, the Fund Administrator shall be the Secretary of the Fund.

Section 2. Term of Office Each officer serves at the pleasure of the Board. The Board of Trustees may remove any officer with or without cause. An officer may resign his or her office at any time, such resignation to take effect upon receipt of written notice thereof by the Board unless otherwise requested by the resigning officer and accepted by the Board. If an office becomes vacant, the vacancy may be filled by the Board of Trustees.

Section 3. Board Chair The Chair shall preside at all meetings of the Members and at all meetings of the Board of Trustees, sign any legal documents on behalf of the Fund as are authorized by the Board of Trustees, appoint such committees as are necessary or appropriate and perform all such other acts and duties as are incident to this office.

Section 4. Vice Chair The Vice Chair shall have such powers and perform such duties as may be assigned to him/her from time to time by the Chair or the Board of Trustees. In case of absence or inability to act of the Chair, the duties of the office shall be performed by the Vice Chair unless the Board shall otherwise direct. When so acting, the duly authorized Vice Chair shall have all the powers of, and be subject to the restrictions upon, the Chair.

Section 5. Secretary The Secretary shall maintain minutes of all meetings of the Board and of the Members and shall keep a record of all votes at such meetings. The Secretary shall give notice of all meetings of the Members and of the Board of Trustees. The Secretary shall keep all records of the Fund.

Section 6. Assistant Secretary There may be elected one or more Assistant Secretary who may be called upon to perform such duties if the Secretary is absent for any reason.

Section 7. Other Officers All other officers, as may from time to time be appointed by the Board of Trustees pursuant to this Article, shall perform such duties and exercise such authority as the Board of Trustees or the Chair shall prescribe.

Section 8. Executive Committee There shall be an Executive Committee consisting of the Chair, Vice Chair and the League Executive Director. The Executive Committee is authorized to act for and on behalf of the Board between Board meetings. The Executive Committee shall provide direction to the Fund Administrator on Board policy and shall exercise Board powers necessary for prudent management of the Fund until matters requiring Board action can be considered at the next regular or special meeting.

Section 9. Absence of Officer In the case of the absence of any officer, or for any other reason that the Board may deem sufficient, the Chair of the Board may delegate for the time being the powers or duties of such officer to any other officer or to any Trustee.

ARTICLE VII Trustee Duties

Section 1. Duties Conferred by Law The Board of Trustees shall have those duties conferred, imposed or authorized by law.

Section 2. Other Duties In addition to those duties conferred, imposed or authorized by law, the Board of Trustees shall carry out all of the duties necessary for the proper operation and administration of the Fund on behalf of the Members, and to that end, shall have all of the powers necessary and desirable for the effective administration of the Fund, including the duty to:

- (a) On recommendation of the League Executive Director, designate a Fund Administrator and establish the duties of, supervise, evaluate and determine the terms and conditions of employment of said position;

- (b) Make provision for proper accounting and reporting procedures for each of the Members so that they shall be informed at all times of the nature of the claims arising within their jurisdiction, the manner in which these claims are being handled and the impact of the same upon the Fund;
- (c) Provide an annual report and an annual independent audit of the receipts and disbursements of the Fund by a certified public accountant and supply a copy of both to each Member;
- (d) Establish rules for the investing of the monies of the Fund by the Fund Administrator so as to keep the same invested according to law. The rules shall provide for banking of the monies of the Fund and the proper security of any and all investments;
- (e) Set requirements for membership in the Fund and approve applications for new Members of those public employers eligible for membership under Article III, Section 2;
- (f) Terminate a Member that fails to comply with the policies or operating procedures of the Board of Trustees, or fails to satisfy any other requirement established by the Board of Trustees and any appropriate governmental agency, or who engages in conduct that is detrimental to the operational or fiscal soundness of the Fund;
- (g) Determine the type and amount of excess insurance or reinsurance as it determines is necessary;
- (h) Determine workers' compensation rates and premiums, subject to the approval of the Agency;
- (i) Return to current members that portion of each Member's contributions and investment income which shall not be required to pay claims, pay administration expenses and fees, or to fund required or appropriate reserves;
- (j) Provide a comprehensive security bond for Fund Trustees, officers and all of the employees of the Fund and for all other persons charged with the duty of handling any of the monies or investments of the Fund;
- (k) Enter into all contracts, leases and agreements necessary or convenient to carry out any of the powers granted under these Bylaws, or by law, including contracts with service agents, legal counsel, accountants and other service professionals. All such contracts, leases and agreements or other legal documents herein authorized shall be approved by resolution of the Fund Trustees, and shall be executed by those individuals designated in such resolution. In the absence of such designation, they shall be executed by the Chair or Vice Chair and attested by the Secretary; and
- (l) Perform any other functions incident to their office.

ARTICLE VIII
Fund Administrator

Section 1. Fund Administrator The Fund Administrator is responsible for the overall administration of the Fund. The Fund Administrator shall provide the overall leadership and supervision for developing and implementing policies and programs of the Fund, subject to the control of the Board of Trustees, and shall ensure that all policies, procedures, orders and resolutions of the Board of Trustees are implemented. The Fund Administrator shall not be an owner, officer or employee of a service agent.

Section 2. Duties The Fund Administrator, subject to approval of the Board of Trustees, shall have the duty to:

- (a) Contract for the performance of services necessary for the carrying out of a self-insurance workers' compensation group program including claims handling, loss control, training, administrative, billing and collecting, legal, financial and investment services and any other services he/she deems necessary for the proper servicing of the Fund;
- (b) Promote the Fund;
- (c) Maintain Fund records;
- (d) Obtain excess insurance and other insurance as deemed necessary; and
- (e) Perform any other functions necessary for the proper servicing of the Fund.

ARTICLE IX
Indemnification

Section 1. Indemnification Any person who at any time shall serve, or shall have served as a Trustee, officer, employee or agent of the Fund, shall be indemnified and held harmless by the Fund against all costs, expenses (including, but not limited to, attorney's fees of any attorney approved by the Trustees of the Fund), judgements, penalties, fines and amounts paid in settlement actually and reasonably incurred in connection with the defense of any threatened, pending or completed action, claim, suit, or proceeding, whether civil, criminal, administrative, investigative, or other. Whether formal or informal, in which he/she may be a party or may be threatened to be made a party by virtue of such person's being or having been a Trustee, officer, employee or agent; providing that the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Fund or its members, and with respect to any criminal action or proceedings, the person had no reasonable cause to believe that conduct was unlawful.

The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, except as provided for in Section 2 below, shall not of itself create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in, or not opposed to, the best interests of the Fund or its members and, with respect to any criminal action or proceedings, had reasonable cause to believe that the conduct was unlawful.

Section 2. Non-applicability Such indemnity shall not be operative with respect to:

- (a) The person gaining any personal profit or advantage in his/her capacity;
- (b) The dishonesty of a person;
- (c) A person's conflict of interest;
- (d) Willful violation of a statute or ordinance committed by a person or with the person's knowledge and consent; or

- (e) Any matter as to which the person shall have been finally adjudged in such action, suit or proceeding to be liable for misconduct in the performance of his or her duties.

Section 3. Authorization of Indemnification Indemnification shall be made upon a determination that indemnification is proper in the circumstances because the person has met the applicable standard of conduct. This determination shall be made in any of the following ways:

- (a) By a majority vote of a quorum of the Board consisting of Trustees who were not parties to the action, suit, or proceeding;
- (b) If a quorum is not obtainable, then by a majority vote of a committee of Trustees who are not parties to the action. The committee shall consist of not less than two (2) disinterested Trustees;
- (c) By independent legal counsel in a written opinion; or
- (d) By the members.

Section 4. Partial Payment If a current or former Trustee, officer, employee or agent is entitled to indemnification for a portion of expenses including attorney's fees, judgements, penalties, fines, and amounts paid in settlement but not for the total amount thereof, the Fund may indemnify the person for the portion of the expenses, judgements, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

Section 5. Advance Payment Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Fund in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the person to repay the expenses if it is ultimately determined that the person is not entitled to be indemnified.

Section 6. Non-Exclusivity The foregoing shall not be deemed exclusive of any other rights to which those indemnified may be entitled.

Section 7. Insurance The Fund may purchase and maintain insurance on behalf of any person who is or was a Trustee, officer, employee or agent of the Fund, or is or was serving at the request of the Fund against any liability incurred by the person in such capacity arising out of the person's status.

ARTICLE X Supervening Law

These Bylaws and any policies and procedures of the Fund are at all times subject to applicable federal, state and local law, including, but not limited to, statutes, rules and regulations. Any statutory or regulatory provisions that invalidate, or otherwise are inconsistent with the Bylaws or Fund policies or procedures shall be deemed to supersede the Bylaws or policies or procedures; provided, however, the Board of Trustees shall exercise its best efforts and its sole discretion to amend the Bylaws or policies or procedures consistent with the requirements of law in order to effectuate the purposes and intent of the Bylaws and policies and procedures.

ARTICLE XI Amendment of Bylaws

These Bylaws may be amended or repealed only by a majority vote of the entire Board of Trustees, provided that notice of such amendment or repeal has been given to each Trustee by mail or electronic mail at least two weeks before the meeting, unless a Trustee not receiving such notice shall have waived such notice, or shall be personally present at such meeting as above provided. Any amendment shall be subject to the approval of the Agency.

Michigan Municipal League Workers' Compensation Fund Operating Procedures

Preamble

Pursuant to the authority given to the Fund Trustees under Article VII of the Fund Bylaws, the Fund Trustees have adopted the following operating procedures for the effective administration of the affairs of the Fund. All Fund Members are bound by these procedures and any future procedures or policies promulgated by the Fund Trustees. Fund Members are also subject to the provisions contained in the Bylaws.

SECTION 1 Purpose

The Michigan Municipal League Workers' Compensation Fund is a group self-insured program which provides workers' disability compensation benefits to the injured employees of Members. Services are designed to provide Members with improved loss control efforts, and to minimize the cost of workers' compensation claims. The Fund also supplies Members with information about state regulatory activities and group representation on legislative issues involving workers' compensation.

SECTION 2 Agreement With Service Companies

- (a) The Fund's Board of Trustees has approved agreements with the Michigan Municipal League and with service companies to provide the following services:
1. Inspect the work places, operations, machinery and equipment owned or operated by the participating members of the Fund;
 2. Consult with and advise the Fund and its participating members as to medical and nursing services, including hospitalization and rehabilitation;
 3. Compile and file notices and reports required under the Workers' Disability Compensation Act (hereinafter "the Act"); conduct any necessary investigation order to determine the liability of the participating Member under the Workers' Disability Compensation Act; and process any and all lawful claims under rules established by the state Agency and the Fund Trustees;
 4. Furnish the Fund and participating members with periodic reports of all accidents and occupational diseases, and of all payments made and reserves set up or benefits and expenses resulting from liability and/or reasonably anticipated liability for injuries and occupational diseases sustained by employees;
 5. Adjust the normal premium payable by participating members by allowing for favorable or unfavorable experience so as to determine and assign premium modifications for each Member annually in accordance with rules established by the Agency and with policies established by the Fund Trustees;
 6. Maintain records of all premium payments to the Fund in accordance with such rules as the Fund Trustees adopt;
 7. Perform payroll audits of participating Members;
 8. Prepare on behalf of the Fund and the participating Members for all scheduled hearings before the Bureau and generally administer all other details pertaining to participating Members' obligations to their employees under the Act;
 9. Perform such other related services as may be reasonably necessary for the operation of the Fund; and
 10. Each member accepts the service contractors of this Fund as its agent and attorney-in-fact to act in its behalf and to execute all waivers, agreements, excess insurance contracts, and service contracts; to make or arrange for the payment of claims, medical expenses, and all other things required or necessary under Michigan law and the rules, regulations and Bylaws as now provided or as hereafter promulgated by the Trustees and the Agency.

SECTION 3
Payment of Claims and Awards

- (a) All claims are investigated by designated service contractors. The service contractors are authorized to settle claims up to a designated amount established by the Fund Trustees without advance notice or approval of the Fund Trustees. In such cases, the service contractor will file a subsequent report to the Fund Administrator and Fund Trustees. On claims in excess of this amount, the service contractor shall present the claim to the Fund Trustees for settlement authorization. In those cases where timely action is necessary prior to a scheduled meeting of the Fund Trustees, a three-member executive committee designated by the Fund Trustees is authorized to act on behalf of the Fund Trustees to authorize settlements or take other appropriate action.

Final settlement authority shall be at the discretion of the Board of Trustees. Each Member delegates and assigns to the Fund all authority to redeem/settle cases and each Member consents to the redemption/settlement negotiated by the Fund.

- (b) With respect to all claims that are not settled, the Fund shall pay all lawful awards made by the Agency against any Member predicated on a claim by an employee of any Member, arising out of and in the course of such claimant's employment, and which award shall have been sustained by the courts where an appeal by either party is taken.
- (c) Any lawful award entered by the Agency against a Member, if the award is upheld on appeal, shall be a liability of the Fund jointly but not severally. Liability of any Member shall be determined on a proportionate basis in accordance with such Member's net contribution to the Fund. An assessment shall be a contractual obligation of the Member.

SECTION 4
Limitation of Fund's Liability

The liability of the Fund is specifically limited to such obligations as are imposed by the Workers' Disability Compensation Act.

SECTION 5
Subrogation

Each Member agrees that in the event of the payment of any loss by the Fund under this contract, the Fund shall be subrogated to the extent of such payment to all the rights of the Member against any person or other entity legally responsible for damages for said loss, and in such event the Member hereby agrees to render all reasonable assistance, other than pecuniary, to effect recovery.

SECTION 6
Employer Applications

Applications for Fund membership are submitted on an approved form to the Fund Administrator, or to the designated service company. The Fund Trustees consider and act upon each application. Concurrence by a majority of the Trustees is required in order for an applicant to be admitted as a Member.

SECTION 7
Withdrawal From Membership

Any Fund member may withdraw from the Fund by giving at least sixty (60) days notice in writing to the Fund Board of Trustees. The premium for Members withdrawing from the Fund, other than at the end of the Fund year, shall be determined by the Trustees.

SECTION 8
Membership Review and Termination Procedure

- (a) When, in the determination of the Fund Administrator, a Member has engaged in conduct, other than non-payment of premiums, that warrants review of that Member's membership status, the Fund Administrator shall file a written report with the Board of Trustees. Said report shall contain a summary of the facts and the Fund Administrator's recommendations regarding continued membership status.
- (b) A copy of the Fund Administrator's report shall be served by mail or electronic mail on the Member along with a Notice of Hearing of the Board of Trustees. Said notice of Hearing shall include the place, date and time of the hearing and a request to have representation at the hearing. At its discretion the Board of Trustees may submit written questions to the Member, written answers to which must be mailed to the Fund Administrator no later than seven (7) calendar days prior to the date of the hearing. A Member objecting to the report and recommendations of the Fund Administrator shall submit a written or electronic statement to the Board of Trustees setting out in detail the basis for the objection and any other information the Member desires to submit. Said statement must be mailed or emailed to the Fund Administrator no later than seven (7) calendar days prior to the hearing.
- (c) The Board of Trustees shall meet at the time and place designated in the Notice of Hearing. The Member shall be entitled to be represented at the hearing and present an oral statement and other information.
- (d) Following the hearing, the Board of Trustees shall affirm, modify or reject the recommendation of the Fund Administrator. The Board of Trustees shall have the authority to place a Member on probation, the terms and duration of which it shall determine. A copy of the Board of Trustees' decision shall be served by mail or electronic mail on the Member.
- (e) In the event that the Trustees vote to terminate membership, such termination shall not take place for at least twenty (20) days after the Member and the Agency have received notice of the termination. The duration of the notice period shall be determined by the Trustees.
- (f) When a Member has failed to pay its premium when due, said Member may be terminated from the Fund without a hearing. Said termination shall be effective at 12:01 a.m. on the twenty first (21st) day after notice of termination has been received by the Member and the Agency.
- (g) The action of the Board of Trustees shall be final and binding.

SECTION 9
Premiums

The premium of Members is developed using rates established by the Fund actuary and approved by the Agency. Each Member is separately rated, based upon its prior claim experience.

SECTION 10 Method of Payment

Members are expected to pay their full annual estimated premium at inception of each Fund year. The Fund may offer a quarterly installment payment plan as provided by Section 500.2016 (b) of the Insurance Code of 1956, also known as P.A. 218 of 1956.

SECTION 11 Delinquent Premium Payments

- (a) Any eligible employer shall be required to make payment of the required premium as a condition of becoming or remaining a Member.
- (b) Any Member which fails to pay a premium or portion thereof within twenty (20) days of the due date shall be terminated pursuant to Fund Bylaw III.4. (b).
- (c) The Fund shall make appropriate refunds or billings at the conclusion of each payroll audit of each Member. Audited payroll billings shall be payable by Members within twenty (20) days after the due date. A late payment charge of ten percent (10%) of the billing shall be imposed and collected for any payment or portion thereof made after twenty (20) days following the due date. A bona fide dispute between the Fund or any agent of the Fund and a Member over the audited payroll or any billing resulting therefrom, upon written notice to the Fund by the Member within twenty (20) days following the due date, shall be resolved pursuant to Fund Bylaw Article XI, and no late payment charge shall be made during the period of dispute. A Member shall have twenty (20) days following final decision by the Fund Trustees to pay a disputed audited payroll billing, and thereafter a late payment charge of ten percent (10%) shall be imposed and collected on any amount paid thereafter.

SECTION 12 Dividends

That portion of Members' contributions and investment income which shall not be required to pay claims, pay administration expenses or to fund required or appropriate reserves may be returned to current Members of the Fund at the discretion of the Board of Trustees, when authorized by the Agency.

Former Members who were members on or after December 31, 1998, are eligible to receive a pro rata share of the dividend approved by the Agency to be distributed for any Fund year in which they were Members. Former Members are entitled to receive their share after Distribution Date. The Distribution Date is defined as the later of either (1) the date two years and one day after they ceased to be a Member or (2) the date when all the former Member's claims are closed. A former Member's distribution will not exceed the lesser of the former Member's pro rata share of the difference, if any, between (a) the audited premium paid by the former Member and (b) the sum of (i) the amount of dividends received by the former Member, plus (ii) the amount paid by the Fund related to the former Member's claims including, but not limited to, statutory benefits and allocated loss adjustment expenses, plus (iii) the Member's pro rata share of administration expenses and fees. This amount will be determined based on the former Member's entire membership period. Dividends declared before the Distribution Date will be held in a contingency fund pending recalculation of the amount owed, if any, to the former Member on the Distribution Date.

SECTION 13
Inspection of Facilities, Equipment, and Records

The Fund Trustees, the service company, and any of their agents, servants, employees or attorneys shall be permitted at all reasonable times to inspect the work places, machinery, and appliances covered by this agreement, and shall be permitted at all reasonable times to examine Members' payroll, personnel, injury and accident, and Members' books, vouchers, contracts, documents, and records which show or verify the premium which is payable under the terms hereof. This right to inspect or examine shall continue after termination of membership with respect to all claims or matters arising during or relating to membership status.

SECTION 14
Safety Considerations

Each member must follow the safety recommendations of the Fund and its loss control service company.

SECTION 15
Notification of Accident and Reimbursement to Fund for Penalty

- (a) Each Member must give immediate notification to the claims administrator, on the prescribed forms, of any accident and reported claim for any benefits payable under the Act.
- (b) Any penalty levied under Section 801(2) of the Act for failure to pay compensation benefits, medical expenses or travel allowances within thirty (30) days after becoming due and payable, resulting from a Member's failure to give timely notice to the service contractor of an accident or claim for any benefits as heretofore described, may, by a vote of a majority of the Trustees appointed or elected, be assessed against the Member.

SECTION 16
Prohibition of Unauthorized Payments by Fund Members

No Member shall make voluntary payment of weekly benefits or medical expenses or enter into any agreement with any employee or his agent, committing payment or admitting liability for any workers' disability compensation benefits, as provided in the Workers' Disability Compensation Act, without the prior approval of the Board of Trustees or its designated service contractor. Any participant making such voluntary payments or entering into such an agreement may, by a vote of a majority of Trustees appointed or elected, be held individually and separately liable for reimbursement to the Fund for all benefits and medical expenses paid or committed.

SECTION 17
Illegal Employment

No Member shall employ any minor in violation of the Youth Employment Standards Act (P.A. 90 of 1978). Any member which employs a minor in violation of the Youth Standards Act may, by a vote of majority of the Trustees appointed or elected, be held individually and separately liable for any penalty payment incurred by the Fund as a result of an injury or illness incurred by a minor.

SECTION 18
Employment of Persons Without Workers' Disability Compensation Coverage

Any Member which contracts with any person who does not have current workers' disability compensation insurance according to the provisions of Section 611 of the Act will be charged an additional premium based upon the full amount of the contract. Members must produce certificates of insurance verifying that contractors who are subject to the Act have workers' compensation coverage, or report the cost of the contract in the appropriate classification for premium calculation.

SECTION 19
Performance/Removal of Fund Trustees

The Fund Trustees are required to discharge their duties in good faith and with that degree of diligence, care and skill which an ordinarily prudent person would exercise under similar circumstances. Grounds for removal include, but are not limited to; failure to attend regularly scheduled meetings, breach of confidentiality, conflict of interest and misuse of position.

Michigan Municipal League
Workers' Compensation Fund

COVERAGE SUMMARY

In return for the payment of the premium and subject to all terms and conditions contained in this Coverage Summary, the Michigan Municipal League Workers' Compensation Fund ("the Fund") agrees to provide each Member with workers' disability compensation coverage (Coverage A) and employer's liability coverage (Coverage B) as required by the Michigan Workers' Disability Compensation Act ("the Act").

INTRODUCTION

The Fund is authorized by State law to provide its Members with coverage required by the Workers' Disability Compensation Act. The Fund is subject to regulation and approval by the State of Michigan.

WORKERS' DISABILITY COMPENSATION ACT

All Fund Members are subject to the Workers' Disability Compensation Act of 1969, as amended and any administrative rules in effect during the term of membership in the Fund.

LOCATIONS

This coverage applies to all of a Member's work places within the State of Michigan. If a Member employs Michigan residents that perform "incidental business" outside the State of Michigan, for isolated jobs outside the State of Michigan, those employees will be covered for those locations and for those jobs.

PART ONE

Workers' Disability Compensation Coverage
(Coverage A)

SECTION 1

Coverage

Coverage applies to bodily injury to an employee as provided for and covered under the Act. Bodily injury includes injury by accident or injury by disease. Bodily injury includes resulting death.

- (a) Bodily injury by accident must occur during the membership period.
- (b) Bodily injury by disease must be caused or aggravated by the conditions of employment with the Member. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the membership period.

SECTION 2

Claim Payments

The Fund will promptly pay all benefits required by the Act.

SECTION 3 Fund Defense

The Fund has the right and duty to defend at its expense any claim, proceeding or suit against a Member for benefits payable pursuant to this coverage. The Fund has the right to investigate and settle these claims, proceedings or suits. The Fund has no duty to defend a claim, proceeding, or suit that is not covered hereunder.

SECTION 4 Other Payments

The Fund will also pay these costs, in addition to other amounts payable under this coverage, as part of any claim, proceeding or suit it defends:

- (a) Reasonable expenses incurred at its request, but not loss of earnings;
- (b) Premiums for bonds to release attachments and for appeal bonds in amounts up to the amount payable under this coverage;
- (c) Litigation costs taxed against a Member;
- (d) Interest on a judgement as required by law until the Fund offers the amount due; and
- (e) Expenses incurred by the Fund.

SECTION 5 Other Coverage

The Fund will not pay more than its share of benefits and costs covered by this coverage and other insurance or self-insurance. Subject to any limits of liability that may apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance will be equal until the loss is paid.

SECTION 6 Payments a Member Must Make

A Member is responsible for any payments in excess of the benefits regularly provided by the Act including those required because a Member:

- (a) Engaged in serious and willful misconduct;
- (b) Knowingly employed an employee in violation of law;
- (c) Failed to comply with a health or safety law or regulation; or
- (d) Discharged, coerced or otherwise discriminated against any employee in violation of the Act.

If the Fund makes any payments in excess of the benefits regularly provided by the Act on a Member's behalf, the Member will be required to reimburse the Fund.

SECTION 7 Recovery from Others

The Fund has the rights of the Member and the rights of persons entitled to the benefits of this coverage, to recover its payments from anyone liable for the injury. A Member must do everything necessary to protect those rights for the Fund and to help the Fund enforce them.

PART TWO Employer's Liability Coverage (Coverage B)

SECTION 1 Coverage

The Fund's employer's liability coverage applies to bodily injury by accident or bodily injury by disease, including death, (which is not covered under Coverage A).

- (a) The bodily injury must arise out of and in the course of the injured worker's employment by the Member.
- (b) The employment must be necessary or incidental to the Member's work in Michigan.
- (c) Bodily injury by accident must occur during the membership period.
- (d) Bodily injury by disease must be caused or aggravated by the conditions of employment with the Member. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the membership period.
- (e) If a Member is sued, the original suit and any related legal actions for damages for bodily injury by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

SECTION 2 Claim Payments

Subject to a maximum limit of \$500,000 per occurrence, the Fund will pay all sums a Member legally must pay as damages because of bodily injury to a Member's employees, provided the bodily injury is covered by Coverage B.

SECTION 3 Exclusions

Coverage B does not cover:

- (a) Liability assumed under a contract;
- (b) Punitive or exemplary damages because of bodily injury to a worker employed in violation of law;
- (c) Bodily injury to a worker while employed in violation of law with the Member's actual knowledge or actual knowledge of any of the Member's officers or officials;
- (d) Any obligation imposed by a workers' disability compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;

- (e) Bodily injury intentionally caused or aggravated by a Member;
- (f) Bodily injury occurring outside the United States of America, its territories or possessions, and Canada. This exclusion does not apply to bodily injury to a citizen or resident of the United States of America or Canada who is temporarily outside these countries; or
- (g) Damages arising out of the discharge of, coercion of, or discrimination against any employee in violation of law.

SECTION 4 Fund Defense

The Fund has the right and duty to defend, at its expense, any claim, proceeding or suit against a Member for damages payable by this coverage. The Fund has the right to investigate and settle these claims, proceedings and suits. The Fund has the right to select counsel to represent the Member in any claim, proceeding or suit.

The Fund has no duty to defend a claim, proceeding or suit that is not covered by Coverage B. The Fund has no duty to defend or continue defending after it has paid its applicable limit of liability under this coverage.

SECTION 5 Other Payments

The Fund will also pay these costs, in addition to other amounts payable under this coverage, as part of any claim, proceeding, or suit it defends:

- (a) Reasonable expenses incurred at the Fund's request, but not loss of earnings;
- (b) Premiums for bonds to release attachments and for appeal bonds in bond amounts up to the limit of the Fund's liability under this coverage;
- (c) Litigation costs taxed against a Member;
- (d) Interest on a judgement as required by law until the Fund offers the amount due under this coverage; and
- (e) Expenses incurred by the Fund.

SECTION 6 Other Coverage

The Fund will not pay more than its share of damages and costs of this coverage and other insurance or self-insurance. Subject to any limits of liability that apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

SECTION 7 Recovery from Others

The Fund has a Member's rights to recover its payment from anyone liable for an injury covered under Coverage B. A Member will do everything necessary to protect those rights for the Fund and to help the Fund enforce them.

SECTION 8 Actions Against the Fund

There will be no right of action against the Fund under this Coverage B unless:

- (a) A Member has complied with all the terms of this coverage; and
- (b) The amount a Member owes has been determined with the Fund's consent or by actual trial and final judgment.

This coverage does not give anyone the right to add the Fund as a defendant in an action against a Member to determine a Member's liability.

PART THREE Member's Duties if Injury Occurs

A Member must advise the Fund at once if an injury occurs that may be covered. A Member's other duties are listed here.

- (a) Provide for immediate medical and other services required by the Act.
- (b) Give the Fund the names and addresses of the injured persons and of witnesses, and other necessary information.
- (c) Promptly give the Fund all notices, demands and legal papers related to the injury, claim, proceeding or suit.
- (d) Cooperate with and assist the Fund, as requested, in the investigation, settlement or defense of any claim, proceeding or suit.
- (e) Do nothing after an injury occurs that would interfere with the Fund's right to recover from others.
- (f) Do not voluntarily make payments, assume obligations or incur expenses, except at your own cost.

PART FOUR Other Provisions

SECTION 1 Inspection

The Fund has the right, but is not obliged to inspect a Member's work places at any time. The Fund may provide the Member with reports on the conditions found and recommend changes. While these reports may help reduce losses, the Fund does not assume the duty of any person to provide for the health or safety of a Member's employees or the public. The Fund does not warrant that a Member's workplaces are safe or healthful or that they comply with laws, regulations, codes or standards.

SECTION 2 Cancellation of Coverage

Cancellation of coverage by either a Member or the Fund is governed by the Fund's Bylaws and Operating Procedures.