



**COMPENSATION ADVISORY ORGANIZATION OF MICHIGAN
MICHIGAN WORKERS' COMPENSATION PLACEMENT FACILITY**

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CIRCULAR LETTER #318 TO ALL MEMBERS

RE: NEW MICHIGAN STATISTICAL CODE 0012 PAID FURLOUGHED WORKERS

Statistical code 0012, entitled "Paid Furloughed Workers during a Governmental Emergency Order Impacting Employment," was recently added to the Michigan Workers' Compensation Placement Facility ("Facility") Statistical Plan. The Michigan Department of Insurance and Financial Services ("DIFS") approved the new code on 4/24/20.

We will accept policy transactions with statistical code 0012 beginning June 8, 2020. Use of code 0012 in Michigan will be based on an effective date of 3/10/20 for new and outstanding policies, the date Governor Whitmer declared a state of emergency in Michigan. The code, however, is not limited to COVID-19. It can apply to future situations where a federal, state or local governmental emergency order, law or regulation impacts employment.

Impact to Voluntary Market

While the Compensation Advisory Organization of Michigan ("CAOM") is charged with managing the Facility, CAOM is only an advisory organization with regard to the voluntary market. Approval of the Facility Statistical Plan change does not apply to a voluntary insurer's class plan. Insurers in the voluntary market need to assess how best to manage COVID-19 exposure and obtain approval through DIFS on their planned approach.

However, the change to the Facility Statistical Plan will impact how you report unit statistical data to CAOM going forward. CAOM requires unit statistical reporting to align with the Facility Statistical Plan. If an insurer obtains approval to establish a furloughed employee code, then the affected payroll should be mapped to statistical code 0012. Otherwise, the payroll should reside in the class used in computing the policy premium and be mapped to the appropriate class code as is done today.

While CAOM cannot mandate an insurer's voluntary market class plan, we do encourage carriers to avoid using statistical codes either:

1. Contained in the Facility Statistical Plan; or
2. Used by other data collection organizations;

as manual occupational class codes in their class plan.

Impact to Residual Market

Policies written in the residual market will use the new code 0012 to report payroll of employees who are being paid but are not working due to COVID-19. Payments to furloughed employees are excluded from calculating premium, TRIA or terrorism charges, and experience/merit rating modifications. If an employer does not maintain separate, accurate, and verifiable payroll records, 100% of the wages must be assigned to the employee's normal classification.

No rate is associated with code 0012 and no claims can be reported to code 0012.



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Code 0012 is distinct from idle time or downtime, which is usually temporary and results from weather delay, waiting for materials, equipment breakdown, etc. Paid furloughed time, in contrast, is an extended period of time in which a state-wide emergency order has been issued and the employee is unable to perform work duties for the employer because of that order.

If an employer requests the employee to perform any duties for the employer, the employee is not deemed a paid furloughed employee for the time period the employee is performing duties for the employer, and payroll must be assigned to the applicable classification for the work being performed in accordance with the Facility Basic Manual.

Other independent workers' compensation data collection organizations and NCCI have used a similar approach in their jurisdictions.

Respectfully Yours,

CAOM Team & Facility Team