

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.2411 Rates and rating systems; classifications; merit rating plan; use of single enterprise rule or similar rule prohibited.

Sec. 2411.

(1) Rates and rating systems used by any insurer with regard to worker's compensation insurance within this state shall conform to the applicable requirements of this section.

(2) Classifications used by an insurer shall be based upon 1 or more of the following:

(a) The industry group to which an employer belongs.

(b) Similarity of expected losses as reflected by similarities in pure premium and similarities in operations of employers insured.

(c) Similarity of risk of compensable injury as reflected by the type of work performed by employees.

(d) Other factors that would encourage innovation and would encourage insurers to minimize the risk of loss from hazards insured against and would be consistent with both the statistical plan approved by the commissioner and the purposes of this chapter.

(3) Each insurer shall establish a merit rating plan for worker's compensation insurance whereby an insured's premium is modified either prospectively or retrospectively. The plans required under this subsection shall provide for premium surcharges or credits based upon loss experience within a specified period or other factors which are reasonably related to risk of loss. The plan shall provide for sufficient premium differentials so as to encourage safety and adequately reward employers without a claim during the merit rating period. The sensitivity of a rating system may vary by size of the risk involved.

(4) The single enterprise rule or similar rule requiring a worker's compensation insured to be classified according to the entire business in which the insured is engaged shall not be used. Upon request of an insured, an insurer shall classify employees in separate operations of a business in different classifications consistent with the insurers' rate system filing if payroll information is supplied to the insurer for each operation requested to be in a separate classification.

History: Add. 1982, Act 8, Eff. Jan. 1, 1983

Popular Name: Act 218