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

CHAPTER 24
CASUALTY INSURANCE RATES

500.2400 Purposes and interpretation of chapter.

Sec. 2400. (1) Except with respect to worker's compensation insurance, the purpose of this chapter is to promote the public welfare by regulating insurance rates to the end that they shall not be excessive, inadequate, or unfairly discriminatory, and to authorize and regulate cooperative action among insurers in rate-making and in other matters within the scope of the insurance code. Nothing in this chapter is intended (1) to prohibit or discourage reasonable competition, or (2) to prohibit, or encourage except to the extent necessary to accomplish the aforementioned purpose, uniformity in insurance rates, rating systems, rating plans, or practices.

(2) With respect to worker's compensation insurance, the purposes of this chapter are:

(a) To protect policyholders and the public against the adverse effects of excessive, inadequate, or unfairly discriminatory rates.

(b) To promote price competition among insurers writing worker's compensation insurance so as to encourage rates which will result in the lowest possible rates consistent with the benefits established in the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, as amended, being sections 418.101 to 418.941 of the Michigan Compiled Laws, and with maintaining the solvency of insurers.

(c) To provide regulatory controls and other activity in the absence of competition.

(d) To improve the availability, fairness, and reliability of worker's compensation insurance.

(3) This chapter shall be liberally interpreted to carry into effect the provisions of this section.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1982, Act 8, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2400a Repealed. 1993, Act 200, Eff. Dec. 28, 1994.

Compiler's note: The repealed section pertained to applicability of act to state accident fund.

Popular name: Act 218

500.2401 Applicability of chapter; insurance or coverage subject to regulation by another rate regulatory chapter; filing designation with commissioner; order for prior approval; absence of reasonable degree of competition.

Sec. 2401. (1) Except as provided in subsection (2), this chapter applies to the following kinds of insurance or coverages on risks or operations in this state:

(a) Casualty insurance, as defined in section 624, except as to livestock insurance.

(b) Surety and fidelity.

(c) Automobile insurance, as defined or included under the following sections:

(*i*) 624 (general definition of casualty insurance).

(*ii*) 7202 (insuring powers of reciprocal insurers).

(*iii*) 620 (automobile insurance (limited) defined).

(*iv*) 614 (marine insurance defined).

(d) Worker's compensation insurance, as defined or included under the following sections:

(*i*) 624 (general definition of casualty insurance).

(*ii*) 7202 (insuring powers of reciprocal insurers).

(e) To all insurance transacted by a reciprocal insurer pursuant to section 7202 (insuring powers of reciprocal insurers).

(f) Personal property floaters.

(g) Title insurance.

(2) This chapter does not apply to any of the following:

(a) Reinsurance, other than joint reinsurance to the extent stated in section 2464.

(b) Disability insurance.

(c) Insurance against loss of or damage to aircraft or against liability, other than worker's compensation and employers' liability, arising out of the ownership, maintenance, or use of aircraft.

(d) Insurance that meets both of the following and is not worker's compensation insurance:

(*i*) Is sold to an exempt commercial policyholder.

(*ii*) Contains a prominent disclaimer that states "This policy is exempt from the filing requirements of

section 2236 of the insurance code of 1956, 1956 PA 218, MCL 500.2236." or words that are substantially similar.

(3) This chapter applies to all classes of insurers admitted to do business in this state, including stock, mutual, reciprocal, and interinsurers authorized to write any of the kinds of insurance to which this chapter applies under this act.

(4) If any kind of insurance, subdivision, or combination thereof, or type of coverage, subject to this chapter, is also subject to regulation by another rate regulatory chapter of this act, an insurer to which both chapter 24 and chapter 26 are otherwise applicable shall file with the commissioner, a designation as to which rate regulatory chapter shall be applicable to the insurer with respect to such kind of insurance, subdivision, or combination thereof, or type of coverage.

(5) If, pursuant to subsection (6), the commissioner certifies the absence of a reasonable degree of competition for a specified classification, type, or kind of insurance, the commissioner may order that each insurer file for prior approval, subject to the provisions of this chapter, any changes to its manuals of classification, manuals of rules and rates, and rating plans the insurer proposes to use for that specified classification, type, or kind of insurance. The order shall state, in writing, the reasons for the commissioner's decision to order the filing. An order issued under this subsection expires 2 years after the date of issuance. If such an order is in effect, rates to which the order applies shall be filed at least 30 days before their proposed effective date. Failure of the commissioner to act within 30 days after submittal constitutes approval.

(6) A determination concerning the absence of a reasonable degree of competition shall take into account a reasonable spectrum of relevant economic tests, including the number of insurers actively engaged in writing the insurance in question, the present availability of that insurance compared to the availability in comparable past periods, the underwriting return of that insurance over a reasonable period of time sufficient to assure reliability in relation to the risk associated with that insurance, and the difficulty encountered by new insurers entering the market in order to compete for the writing of that insurance.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1966, Act 221, Imd. Eff. July 11, 1966;—Am. 1982, Act 8, Eff. Jan. 1, 1983;—Am. 2002, Act 664, Eff. Mar. 31, 2003.

Popular name: Act 218

500.2402 Definitions; data collection agency; creation; purpose; governing board; appointment, terms, and qualifications of members; conduct of business at public meeting.

Sec. 2402. (1) As used in this act with respect to worker's compensation insurance:

(a) "Data collection agency" means an agency established for the purpose of effectuating the worker's compensation data requirements of this chapter.

(b) "Designated advisory organization" means the advisory organization designated by the data collection agency pursuant to section 2407(2).

(c) "Rate" means the cost of insurance per payroll before adjustment for an individual insured's size, exposure, or loss experience.

(d) "Rating system" means every classification, rating plan, merit rating plan, rating values, and manual, containing the rules used by an insurer in the determination of premiums.

(2) There is created a data collection agency for the purpose of effectuating the worker's compensation data requirements of this chapter. The governing board of the data collection agency shall include all of the following:

(a) Three persons who represent private insurers in this state.

(b) One person who represents the general public.

(c) One person who represents employers in this state.

(d) One person who represents the executive branch of state government.

(e) One person who is an insurance agent.

(f) The commissioner of insurance.

(3) A member of the governing board of the data collection agency shall serve for a term of 1 year.

(4) The members specified in subsection (2)(b), (c), and (e) shall be appointed by the commissioner. The member specified in subsection (2)(d) shall be appointed by the governor with the advice and consent of the senate. The members specified in subsection (2)(a) shall be appointed by the commissioner from recommendations made by the insurance industry in this state and shall be generally representative of small, medium, and large insurers.

(5) Business of the governing board of the data collection agency shall be conducted at a public meeting pursuant to the open meetings act, Act No. 267 of the Public Acts of 1976, as amended, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Notice of the date, time, and place of a public meeting of the

governing body shall be as prescribed in Act No. 267 of the Public Acts of 1976, as amended.

History: Add. 1982, Act 7, Eff. Jan. 1, 1983;—Am. 1993, Act 200, Eff. Dec. 28, 1994.

Compiler's note: Section 3 of Act 200 of 1993 provides as follows:

"Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

For transfer of position of commissioner of office of financial and insurance regulation as member or chairperson of board or commission to director of department of insurance and financial services, see E.R.O. No. 2013-1, compiled at MCL 550.991.

Popular name: Act 218

500.2403 Rate-making provisions; uniformity among insurers.

Sec. 2403. (1) All rates shall be made in accordance with this section and all of the following:

(a) Due consideration shall be given to past and prospective loss experience within and outside this state; to catastrophe hazards; to a reasonable margin for underwriting profit and contingencies; to dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers; to past and prospective expenses, both countrywide and those specially applicable to this state; to underwriting practice, judgment, and to all other relevant factors within and outside this state. For worker's compensation insurance, in determining the reasonableness of the margin for underwriting profit and contingencies, consideration shall be given to all after-tax investment profit or loss from unearned premium and loss reserves attributable to worker's compensation insurance, as well as the factors used to determine the amount of reserves. For all other kinds of insurance to which this chapter applies, all factors to which due consideration is given under this subdivision shall be treated in a manner consistent with the laws of this state that existed on December 28, 1981.

(b) The systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the requirements of the operating methods of the insurer or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof for which subdivision or combination separate expense provisions are applicable.

(c) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans that measure variations in hazards, expense provisions, or both. The rating plans may measure any differences among risks that may have a probable effect upon losses or expenses as provided for in subdivision (a).

(d) Rates shall not be excessive, inadequate, or unfairly discriminatory. A rate shall not be held to be excessive unless the rate is unreasonably high for the insurance coverage provided and a reasonable degree of competition does not exist with respect to the classification, kind, or type of risks to which the rate is applicable. Except as otherwise provided in this subdivision, a rate shall not be held to be inadequate unless the rate is unreasonably low for the insurance coverage provided and the continued use of the rate endangers the solvency of the insurer; or unless the rate is unreasonably low for the insurance coverage provided and the use of the rate has or will have the effect of destroying competition among insurers, creating a monopoly, or causing a kind of insurance to be unavailable to a significant number of applicants who are in good faith entitled to procure the insurance through ordinary methods. For commercial liability insurance a rate shall not be held to be inadequate unless the rate, after consideration of investment income and marketing programs and underwriting programs, is unreasonably low for the insurance coverage provided and is insufficient to sustain projected losses and expenses; or unless the rate is unreasonably low for the insurance coverage provided and the use of the rate has or will have the effect of destroying competition among insurers, creating a monopoly, or causing a kind of insurance to be unavailable to a significant number of applicants who are in good faith entitled to procure the insurance through ordinary methods. As used in this subdivision, "commercial liability insurance" means insurance that provides indemnification for commercial, industrial, professional, or business liabilities. For worker's compensation insurance provided by an insurer that is controlled by a nonprofit health care corporation formed pursuant to the nonprofit health care corporation reform act, Act No. 350 of the Public Acts of 1980, being sections 550.1101 to 550.1704 of the Michigan Compiled Laws, a rate shall not be held to be inadequate unless the rate is unreasonably low for the insurance coverage provided. A rate for a coverage is unfairly discriminatory in relation to another rate for the same coverage, if the differential between the rates is not reasonably justified by differences in losses, expenses, or both, or by differences in the uncertainty of loss for the individuals or risks to which the rates apply. A reasonable justification shall be supported by a reasonable classification system; by sound actuarial principles when applicable; and by actual and credible loss and expense statistics or, in the case of new coverages and classifications, by reasonably anticipated loss and expense experience. A rate is not unfairly discriminatory

because the rate reflects differences in expenses for individuals or risks with similar anticipated losses, or because the rate reflects differences in losses for individuals or risks with similar expenses. Rates are not unfairly discriminatory if they are averaged broadly among persons insured on a group, franchise, blanket policy, or similar basis.

(2) Except to the extent necessary to meet the provisions of subsection (1)(d), uniformity among insurers in any matters within the scope of this section is neither required nor prohibited.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1969, Act 346, Eff. Apr. 1, 1970;—Am. 1979, Act 145, Imd. Eff. Nov. 13, 1979;—Am. 1981, Act 204, Imd. Eff. Dec. 30, 1981;—Am. 1982, Act 7, Eff. Jan. 1, 1983;—Am. 1986, Act 173, Imd. Eff. July 7, 1986;—Am. 1993, Act 200, Eff. Dec. 28, 1994.

Compiler's note: Section 3 of Act 200 of 1993 provides as follows:

"Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

Popular name: Act 218

500.2404 Secondary or merit rating plan for commercial liability insurance rates; rating plan for medical malpractice insurance; limitations; "commercial liability insurance" defined.

Sec. 2404. (1) Each authorized insurer which delivers or issues for delivery commercial liability insurance policies in this state shall develop and establish a secondary or merit rating plan for commercial liability insurance rates. A merit rating plan required under this section shall adjust rates for commercial liability insurance policies on the basis of risk management technique implemented by the insured.

(2) An insurer's rating plan for medical malpractice insurance may provide for a premium surcharge based upon the filing of an action against the insured, subject to all of the following limitations:

(a) The surcharge plan shall be filed with the commissioner.

(b) A surcharge shall not be based on an action that was filed more than 3 years immediately preceding the issuance or renewal of the policy.

(c) A surcharge shall not be based on an action for which the insured has been adjudged not liable or which has been dismissed or settled without indemnity being paid on behalf of the insured.

(d) A surcharge shall not be based on an action for which the insurer pays, on behalf of the insured, indemnity and loss adjustment expenses with respect to such action in an amount that is less than 51% of the annual premium paid by the insured for the policy period covering such action.

(3) As used in this section, "commercial liability insurance" means insurance which provides indemnification for commercial, industrial, professional, or business liabilities.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.2405 Liquor liability insurance policies; server training discount plan; certified server training course.

Sec. 2405. Each insurer which delivers or issues for delivery liquor liability insurance policies in this state shall develop and maintain a server training discount plan pursuant to this section. A server training discount plan required under this section shall provide for a premium discount for liquor liability insurance policies based upon the completion of a certified server training course in compliance with the provisions of the Michigan liquor control act, Act No. 8 of the Public Acts of the Extra Session of 1933, being sections 436.1 to 436.58 of the Michigan Compiled Laws.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.2406 Required filings by insurers; insufficient information; supporting information; notice; public inspection; becoming member of or subscriber to licensed rating organization; rates and rating systems regarding worker's compensation insurance; filings; certification; trade secret.

Sec. 2406. (1) Except for worker's compensation insurance, an insurer shall file with the director a manual of classification, manual of rules and rates, rating plan, or modification of a manual of classification, manual of rules and rates, or rating plan that the insurer proposes to use. Each filing under this subsection must state the proposed effective date of the filing and must indicate the character and extent of the coverage contemplated. If a filing is not accompanied by the information on which the insurer supports the filing, and the director does not have sufficient information to determine if the filing meets the requirements of this

chapter, the director shall within 10 days of the filing give written notice to the insurer to furnish the information that supports the filing. The information furnished in support of a filing may include the experience or judgment of the insurer or rating organization making the filing, its interpretation of any statistical data it relies on, the experience of other insurers or rating organizations, or any other relevant factors. Except as otherwise provided in subsection (6), the department shall make a filing under this subsection and any supporting information open to public inspection after the filing becomes effective.

(2) Except for worker's compensation insurance, an insurer may satisfy its obligation to make filings by becoming a member of, or a subscriber to, a licensed rating organization that makes filings, and by filing with the director a copy of its authorization of the rating organization to make filings on its behalf. This chapter does not require an insurer to become a member of or a subscriber to a rating organization.

(3) For worker's compensation insurance in this state, the insurer shall file with the director all rates and rating systems.

(4) The rates and rating systems for worker's compensation insurance must be filed not later than the date the rates and rating systems are to be effective. A filing under this subsection meets the requirements of this chapter unless and until the director disapproves a filing under section 2418 or 2420.

(5) A filing under subsections (3) and (4) must be accompanied by a certification by the insurer that, to the best of the insurer's information and belief, the filing conforms to the requirements of this chapter.

(6) An insurer or a rating organization filing on the insurer's behalf may designate information included in the filing or any accompanying information as a trade secret. The insurer or the rating organization filing on behalf of the insurer shall demonstrate to the director that the designated information is a trade secret. If the director determines that the information is a trade secret, the information is not subject to public inspection and is exempt from the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246. As used in this subsection, "trade secret" means that term as defined in section 2 of the uniform trade secrets act, 1998 PA 448, MCL 445.1902. However, trade secret does not include filings and information accompanying filings under this section that were subject to public inspection before the effective date of the amendatory act that added this subsection.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1970, Act 180, Imd. Eff. Aug. 3, 1970;—Am. 1982, Act 7, Eff. Jan. 1, 1983;—Am. 1993, Act 200, Eff. Dec. 28, 1994;—Am. 2015, Act 141, Eff. Jan. 11, 2016.

Compiler's note: Section 3 of Act 200 of 1993 provides as follows:

"Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

Popular name: Act 218

500.2407 "Pure premium data" defined; worker's compensation insurance; collecting, compiling, or making available to insurers certain information; filing rating system incompatible with approved statistical plans; proposed plan for reporting data; hearing; sharing information in establishing rates prohibited; exception; cost of operating data collection agency; rules; applicability of section.

Sec. 2407. (1) As used in this section, "pure premium data" means all historical data, including actual historical loss data by classification per payroll, except data prohibited by subsection (4). Pursuant to this section, insurers shall supply information regarding pure premium data to the designated advisory organization.

(2) With respect to worker's compensation insurance:

(a) The data collection agency shall designate 1 advisory organization for the purpose of collecting historical data from all insurers and compiling pure premium data pursuant to the statistical plans of the designated advisory organization approved by the commissioner. All insurers shall make reports which conform to the data reporting requirements of the approved statistical plans of the designated advisory organization.

(b) The designated advisory organization shall make and file rates, rating systems and policy forms for the residual market in accordance with chapter 23.

(c) The data collection agency shall establish a plan providing for the collection of data, in addition to pure premium data, by the designated advisory organization to the extent necessary to establish proper residual market rates. The plan established pursuant to this subdivision shall be submitted to the commissioner for approval or amendment.

(d) The data collection agency shall authorize the designated advisory organization to compute how pure

premium data which has been previously collected would have been affected by any significant change in a law resulting from a subsequent statute or subsequent court decision, if the change in the law were in effect before the pure premium data had been collected. The designated advisory organization shall determine the effect such a law change would have had in a manner which reasonably reflects the law change. The determination shall be disseminated only after approval or amendment by the commissioner. The commissioner shall approve, reject, or amend the determination to reasonably reflect the effects of the law change within 30 days after the determination is submitted to the commissioner. If the commissioner fails to approve, reject, or amend the determination with the 30 days, the determination shall be deemed approved.

(e) The designated advisory organization shall distribute to the data collection agency pure premium data for dissemination to all insurers.

(f) The designated advisory organization shall not:

(*i*) Collect any information other than historical data, except data collected pursuant to subdivisions (c) and (d).

(*ii*) Disseminate any data except as provided in this subsection.

(3) The data collection agency shall make available to insurers the information reported under subsection (2), except information necessary to operate the residual market.

(4) Neither the designated advisory organization nor the data collection agency shall collect, compile, or make available to insurers any information regarding the following except as provided in subsection (2)(b) to (d):

(a) Actuarial projections or trending factors.

(b) Profits.

(c) Expenses, except loss adjustment expenses.

(5) An insurer filing a rating system incompatible with the approved statistical plans shall file with the commissioner the proposed plan for reporting data which will conform with the data reporting requirements of the statistical plans approved by the commissioner and simultaneously furnish a copy of the filing with the data collection agency and the designated advisory organization. The data collection agency may request a hearing on any proposed plan for reporting data to determine if the plan will be compatible with the approved statistical plans. A request for a hearing under this subsection shall be made by first class mail, return receipt requested. The commissioner shall hold a hearing pursuant to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Michigan Compiled Laws, on a proposed plan not later than 30 days after receipt of the request for a hearing. At the hearing, consideration shall be given to the compatibility of the proposed plan with the data reporting requirements of the approved statistical plans of the data collection agency and the filer's practical capability of complying with those requirements. The commissioner shall issue a final order as to the compatibility of the proposed rating system and the capability of the filer within 30 days of the hearing. Unless the commissioner finds that the proposed system is compatible and the filer has the capability, the filer shall not use the proposed system but shall, at its option, use its prior rating system or file a new rating system.

(6) Except as provided in this section, insurers shall not share information in establishing rates or rating systems. A person, insurer, or organization that violates this subsection is subject to the penalties provided in section 2478. This subsection shall not prohibit an insurer from obtaining or utilizing information which is a matter of public record.

(7) The reasonable cost of the operation of the data collection agency shall be borne by the designated advisory organization.

(8) The commissioner shall promulgate rules pursuant to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Michigan Compiled Laws, for the purpose of establishing reporting periods and the method of reporting the information and data provided for under this section.

(9) This section only applies to and for the purposes of worker's compensation insurance.

History: Add. 1982, Act 7, Eff. Jan. 1, 1983.

Popular name: Act 218

Administrative rules: R 500.1351 et seq. of the Michigan Administrative Code.

500.2408 Review of filings by commissioner; purpose; waiting period; extension; effective date of filing; special filing; section inapplicable to worker's compensation insurance.

Sec. 2408. (1) The commissioner shall review filings as soon as reasonably possible after they have been made in order to determine whether the filings meet the requirements of this chapter.

(2) Subject to the exception specified in subsection (3), each filing whether or not accompanied by supporting information shall be on file for a waiting period of 15 days before it becomes effective, which period may be extended by the commissioner for 1 additional period not to exceed 15 days if the

commissioner gives written notice within the waiting period to the insurer or rating organization which made the filing that he or she needs additional time for the consideration of the filing. Upon written application by the insurer or rating organization, the commissioner may authorize a filing which he or she has reviewed to become effective before expiration of the waiting period or any extension thereof. A filing whether or not accompanied by supporting information shall be considered to meet the requirements of this chapter unless disapproved by the commissioner within the waiting period or extension thereof. Except, if a filing is not accompanied by supporting information and the information is required by the commissioner under section 2406(1), the filing shall be considered to meet the requirements of this chapter unless disapproved by the commissioner within 15 days after the information is furnished.

(3) Any special filing with respect to a surety or guaranty bond required by law, or by court or executive order, or by order, rule, or regulation of a public body, not covered by a previous filing, shall become effective when filed and shall be considered to meet the requirements of this chapter until such time as the commissioner reviews the filing and so long thereafter as the filing remains in effect.

(4) This section shall not apply to worker's compensation insurance filings made pursuant to section 2406(3), (4), and (5).

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1982, Act 8, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2409 Repealed. 2016, Act 101, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to report delineating classifications and kinds or types of insurance where competition does not exist.

500.2409a Repealed. 2016, Act 101, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to certification by commissioner and resolution by legislature that reasonable degree of competition does not exist with respect to worker compensation insurance market and inclusion of plan in report under MCL 500.2409.

500.2409b Repealed. 2016, Act 104, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to report detailing state of availability in liquor liability insurance market.

500.2409c Repealed. 2016, Act 99, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to public hearing to determine whether reasonable degree of competition in commercial liability insurance market exists.

500.2410 Filing requirements; modification or suspension by insurance commissioner.

Sec. 2410. Under such rules and regulations as he shall adopt the commissioner may, by written order, suspend or modify the requirement of filing as to any kind of insurance, subdivision or combination thereof, or as to classes of risks, the rates for which cannot practicably be filed before they are used. Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The commissioner may make such examination as he may deem advisable to ascertain whether any rates affected by such order meet the standards set forth in section 2403 (1) (d) (rate standards).

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

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

500.2412 Filing requirements; adherence by insurer.

Sec. 2412. No insurer shall make or issue a contract or policy except in accordance with filings which are in effect for said insurer as provided in this chapter or in accordance with sections 2410 or 2414.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2414 Filing requirements; excess rates on specific risks.

Sec. 2414. Upon the written application of the insured, stating his reasons therefor, filed with and approved by the commissioner, a rate in excess of that provided by a filing otherwise applicable may be used on any specific risk.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1970, Act 180, Imd. Eff. Aug. 3, 1970.

Popular name: Act 218

500.2416 Disapproval of filing; notice; waiting period.

Sec. 2416. (1) If within the waiting period or any extension thereof as provided in subsection (2) of section 2408, the commissioner finds that a filing does not meet the requirements of this chapter, he shall send to the insurer or rating organization which made such filing written notice of disapproval of such filing specifying therein what respects he finds such filing fails to meet the requirements of this chapter and stating that such filing shall not become effective.

(2) If within 30 days after a special surety or guaranty filing subject to subsection (3) of section 2408 has become effective, the commissioner finds that such filing does not meet the requirements of this chapter, he shall send to the insurer or rating organization which made such filing written notice of disapproval of such filing specifying therein in what respects he finds that such filing fails to meet the requirements of this chapter and stating when, within a reasonable period thereafter, such filing shall be deemed no longer effective. Said disapproval shall not affect any contract made or issued prior to the expiration of the period set forth in said notice.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2418 Disapproval of filing after approval; hearing; notice; procedure.

Sec. 2418. If at any time after approval of any filing either by act or order of the commissioner or by operation of law, or before approval of a filing made by a worker's compensation insurer controlled by a nonprofit health care corporation operating pursuant to the nonprofit health care corporation reform act, 1980 PA 350, MCL 550.1101 to 550.1704, the commissioner finds that a filing does not meet the requirements of this chapter, the commissioner shall, after a hearing held upon not less than 10 days' written notice, specifying the matters to be considered at the hearing, to every insurer and rating organization that made the filing, issue an order specifying in what respects the commissioner finds that the filing fails to meet the requirements of this chapter, and stating for a filing that has gone into effect when, within a reasonable period thereafter, that filing shall be considered no longer effective. A copy of the order shall be sent to every insurer and rating organization subject to the order. The order shall not affect any contract or policy made or issued before the date the filing becomes ineffective as indicated in the commissioner's order.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1993, Act 200, Eff. Dec. 28, 1994;—Am. 2008, Act 241, Imd. Eff. July 17, 2008.

Compiler's note: Section 3 of Act 200 of 1993 provides as follows:

"Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

Popular name: Act 218

500.2419 Excessive premium charges for worker's compensation insurance; personal meeting with management representative; providing reserve and redemption information to insured upon request; determination of dispute by commissioner; rules; redemption of worker's compensation claim; notice.

Sec. 2419. (1) An insured who has reason to believe that the insured's premium charges for worker's compensation insurance are excessive as a result of unreasonable reserves or the unreasonable redemption of a claim shall be entitled to a personal meeting with a management representative of the insurer.

(2) Upon receipt of a written request by the insured, the insurer shall provide within 30 days of the receipt of the request reserve and redemption information with regard to worker's compensation insurance which is pertinent to the premiums charged for that insurance.

(3) If a meeting between the insured and the management representative of the insurer under subsection (1) fails to resolve the dispute, the insured shall be entitled to a determination of the dispute by the commissioner. The commissioner shall promulgate rules pursuant to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Michigan Compiled Laws, establishing procedures for a determination under this subsection. The procedures shall provide for determinations to be made on a timely and informal basis.

(4) Upon written request of an insured, an insurer shall not redeem a worker's compensation claim without giving 10 business days' prior notice to the insured by first class mail, return receipt requested.

History: Add. 1982, Act 7, Eff. Jan. 1, 1983.

Popular name: Act 218

Administrative rules: R 500.1351 et seq. of the Michigan Administrative Code.

500.2420 Complaint of aggrieved person or organization; application for hearing; notice; order rendering filing ineffective; filing by insurer providing worker's compensation insurance controlled by nonprofit health care corporation; prohibited use of section.

Sec. 2420. (1) Any person or organization aggrieved with respect to any filing that is in effect may apply in writing to the commissioner for a hearing on the filing. The application shall specify the grounds to be relied upon by the applicant. If the commissioner finds that the application is made in good faith, that the applicant would be so aggrieved if his or her grounds are established, and that the grounds otherwise justify holding a hearing, the commissioner shall, within 30 days after receipt of the application, hold a hearing upon not less than 10 days' written notice to the applicant and to every insurer and rating organization that made the filing.

(2) If, after a hearing under subsection (1), the commissioner finds that the filing does not meet the requirements of this chapter, the commissioner shall issue an order specifying in what respects he or she finds that the filing fails to meet the requirements of this chapter, and stating when, within a reasonable period thereafter, the filing shall be considered no longer effective. Copies of the order shall be sent to the applicant and to every insurer and rating organization. The order shall not affect any contract or policy made or issued prior to the expiration of the period set forth in the order.

(3) Upon receipt of a rate or rating system filing by an insurer providing worker's compensation insurance that is controlled by a nonprofit health care corporation formed pursuant to the nonprofit health care corporation act, Act No. 350 of the Public Acts of 1980, being sections 550.1101 to 550.1704 of the Michigan Compiled Laws, the commissioner shall immediately notify each person of the filing who has requested in writing notice of the filing within the 2 years immediately preceding the filing. Notice to the person shall identify the location, time, and place where a copy of the filing will be open to public inspection and copying. The filing shall become effective on the filing's proposed effective date unless stayed or disapproved by the commissioner. An aggrieved person, which shall include any insurer transacting worker's compensation insurance in this state and any person acting on behalf of 1 or more such insurers, who claims a rate in the filing is inadequate is entitled to a contested case hearing pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws. The request for this hearing shall be filed with the commissioner within 30 days of the date of the filing alleged to contain inadequate rates and shall state the grounds upon which a rate contained in the filing is alleged to be inadequate. The notice of hearing shall be served upon the insurer and shall state the time and place of the hearing and the grounds upon which the rate is alleged to be inadequate. Unless mutually agreed upon by the commissioner, the insurer, and the aggrieved person, the hearing shall occur not less than 15 days or more than 30 days after notice is served. Within 10 days of receipt of the request for hearing, the commissioner shall issue an order staying the use of any rate alleged to be inadequate and with respect to which, on the basis of affidavits and pleadings submitted by the aggrieved person and the insurer, it appears

likely that the aggrieved person will prevail in the hearing. The nonprevailing party shall have the right to an interlocutory appeal to circuit court of the commissioner's decision granting or denying the stay, and the court shall review de novo the commissioner's decision.

(4) An insurer or rating organization shall not use this section to obtain a hearing with the commissioner on the insurer's or rating organization's own filing.

History: 1956, Act 218, Eff. Jan. 1, 1955;—Am. 1993, Act 200, Eff. Dec. 28, 1994.

Compiler's note: Section 3 of Act 200 of 1993 provides as follows:

"Section 3. This amendatory act shall not take effect unless the state administrative board certifies in writing to the secretary of state by December 31, 1994 that an agreement for the transfer of all or substantially all of the assets and the assumption of all or substantially all of the liabilities of the state accident fund has been consummated with a permitted transferee pursuant to the requirements of section 701a of the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, being section 418.701a of the Michigan Compiled Laws."

Popular name: Act 218

500.2421 Insurer authorized to write worker's compensation insurance; prohibited acts.

Sec. 2421. As a condition of maintaining its certificate of authority, an insurer authorized to write worker's compensation insurance shall not do any of the following:

(a) Be a member of a rating organization in this state for worker's compensation insurance or have any rates, rules, or forms filed on its behalf with regard to worker's compensation insurance in this state by a rating organization.

(b) Except as necessary to operate the residual market under chapter 23, agree with any other insurer or with an advisory organization to adhere to or use any rate, rating plan, rating schedule, rating rule, or underwriting rule with regard to worker's compensation insurance in this state.

(c) Make any agreement with any other insurer, advisory organization, or any other person which has the purpose or effect of restraining trade or of substantially lessening competition with regard to worker's compensation insurance in this state.

History: Add. 1982, Act 7, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2426 Manual of classifications, rules and rating plans; rates meeting standards.

Sec. 2426. No manual of classifications, rule, rating plan, or any modification of any of the foregoing which measures variations in hazards or expense provisions, or both, and which has been filed pursuant to the requirements of this chapter shall be disapproved if the rates thereby produced meet the requirements of section 2403 (1) (d) (rate standards).

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2430 Manual of classifications; rules and rating plans; alternative filing; effective date; hearing; order of disapproval; adjustment of premium; review of filing.

Sec. 2430. (1) In lieu of the filing requirements of this chapter and as an alternative method of filing, any insurer or rating organization may file with the commissioner any manual of classification, rules or rates, any rating plan and every modification of any of the foregoing which it proposes to use, the filing to indicate the character and extent of the coverage contemplated. Every such filing under this section shall state the effective date thereof, shall take effect on said date, shall not be subject to any waiting period requirements, and shall be deemed to meet the requirements of section 2403 (1) (d) (rate standards). A filing and any supporting information shall be open to public inspection, if the filing is not disapproved.

(2) At any time within 15 days from and after the date of any such filing, the commissioner may give written notice to the insurer or rating organization making such filing, specifying in what respect and to what extent he contends such filing fails to comply with the requirements of section 2403 (1) (d) and fixing a date for hearing not less than 10 days from the date of mailing of such notice. At such hearing the factors specified in section 2406 (1) shall be considered. If the commissioner after hearing finds that the filing does not comply with the provisions of this chapter, he may issue his order determining wherein and to what extent such filing is deemed to be improper and fixing a date thereafter, within a reasonable time, after which such filing shall no longer be effective. Any order of disapproval under this section must be entered within 30 days of the date of the filing affected.

(3) In the event that no notice of hearing shall be issued within 15 days from the date of any such filing, the filing shall be deemed to be approved. If such filing shall be disapproved, the insuring provisions of any contract or policy issued prior to the time the order becomes effective shall not be affected. But if the commissioner disapproves such filing as not being in compliance with section 2403 (1) (d) (rate standards), he

may order an adjustment of the premium to be made with the policyholder either by refund or collection of additional premium, if the amount is substantial and equals or exceeds the cost of making the adjustment. The commissioner may thereafter review any such filing in the manner provided in sections 2418 and 2420, but if so reviewed, no adjustment of premium may be ordered. Sections 2406 (2) (filing may be made by rating organization), 2408 (1) (commissioner shall review filing as soon as reasonably possible), and 2412 (insurer must adhere to filing) shall be applicable to filings made under this section.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2431 Group rated automobile insurance; MCL 500.2430 inapplicable.

Sec. 2431. Section 2430 does not apply to group rated automobile insurance.

History: Add. 1969, Act 346, Eff. Apr. 1, 1970;—Am. 1982, Act 7, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2434 Malpractice insurance for physicians; rating classifications; furnishing classifications to legislature and governor.

Sec. 2434. (1) The commissioner, after consultation with associations representative of physician interests and with authorized insurers writing malpractice insurance for physicians in this state shall prescribe the rating classifications for use by insurers in writing malpractice insurance for physicians.

(2) Before 1 year after the effective date of chapter 49 and before implementing the rating classifications prescribed pursuant to subsection (1), the commissioner shall furnish to the legislature and the governor the rating classifications which he or she intends to prescribe pursuant to this section.

History: Add. 1986, Act 173, Imd. Eff. July 7, 1986.

Popular name: Act 218

500.2436 Application for license as rating organization; issuance of license by commissioner; fee; duration; notification of changes.

Sec. 2436. (1) A corporation, an association, a partnership, or an individual, whether located within or outside this state, may make application to the commissioner for a license as a rating organization to make rates and insurance contract forms for the kinds of insurance or subdivisions thereof, except for worker's compensation insurance, as are specified in its application and shall file with the application all of the following:

(a) A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and of its bylaws and rules governing the conduct of its business.

(b) A list of its members and subscribers.

(c) The name and address of a resident of this state upon whom notices or orders of the commissioner or process affecting the rating organization may be served.

(d) A statement of its qualifications as a rating organization.

(2) If the commissioner finds that the applicant is competent, trustworthy, and otherwise qualified to act as a rating organization and that its constitution, articles of agreement or association, or certificate of incorporation, and its bylaws and rules governing the conduct of its business conform to the requirements of law, he or she shall issue a license specifying the kinds of insurance or subdivisions thereof for which the applicant is authorized to act as a rating organization. Every application shall be granted or denied in whole or in part by the commissioner within 60 days of the date of its filing with the commissioner.

(3) The fee for the license shall be $25.00 which shall be in lieu of all other fees, licenses, or taxes imposed by the state or any political subdivision of the state.

(4) Licenses issued pursuant to this section shall remain in force for 3 years from date of issuance unless suspended or revoked by the commissioner, after hearing upon notice, pursuant to section 2478, in the event the rating organization ceases to meet the requirements of this section.

(5) Every rating organization shall notify the commissioner promptly of every change in any of the following:

(a) Its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws and rules governing the conduct of its business.

(b) Its list of members and subscribers.

(c) The name and address of the resident of this state designated by it upon whom notices or orders of the commissioner or process affecting the rating organization may be served.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1970, Act 180, Imd. Eff. Aug. 3, 1970;—Am. 1982, Act 7, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2438 Rating organizations; subscribers; notice of changes in rules; furnishing of service without discrimination; review; order.

Sec. 2438. (1) Subject to rules and regulations which have been approved by the commissioner as reasonable, each rating organization shall permit any insurer, not a member, to be a subscriber to its rating services for any kind of insurance or subdivision thereof for which it is authorized to act as a rating organization. Notice of proposed changes in such rules and regulations shall be given to subscribers. Each rating organization shall furnish its rating services without discrimination to its members and subscribers.

(2) The reasonableness of any rule or regulation in its application to subscribers, or the refusal of any rating organization to admit an insurer as a subscriber, shall, at the request of any subscriber or any such insurer, be reviewed by the commissioner at a hearing held upon at least 10 days' written notice to such rating organization and to such subscriber or insurer. If the commissioner finds that such rule or regulation is unreasonable in its application to subscribers, he shall order that such rule or regulation shall not be applicable to subscribers.

(3) If the rating organization fails to grant or reject an insurer's application for subscribership within 30 days after it was made, the insurer may request a review by the commissioner as if the application had been rejected. If the commissioner finds that the insurer has been refused admittance to the rating organization as a subscriber without justification, he shall order the rating organization to admit the insurer as a subscriber. If he finds that the action of the rating organization was justified, he shall make an order affirming its action.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2440 Rating organizations; rules affecting payment of dividends, savings or unabsorbed premium.

Sec. 2440. No rating organization shall adopt any rule the effect of which would be to prohibit or regulate the payment of dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2446 Rating organizations; cooperation with other rating organizations and insurers, discontinuance.

Sec. 2446. Cooperation among rating organizations or among rating organizations and insurers in rate making or in other matters within the scope of this chapter is hereby authorized, provided the filings resulting from such cooperation are subject to all the provisions of this chapter which are applicable to filings generally. The commissioner may review such cooperative activities and practices and if, after a hearing, he finds that any such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, he may issue a written order specifying in what respects such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, and requiring the discontinuance of such activity or practice.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2450 Rating organizations; deviation from filings, procedure, termination of deviation.

Sec. 2450. (1) Every member of or subscriber to a rating organization shall adhere to the filings made on its behalf by such organization except that any such insurer may make written application to the commissioner to file a deviation from the class rates, schedules, rating plans or rules respecting any kind of insurance, or class of risk within a kind of insurance, or combination thereof. Such application shall specify the basis for the modification and a copy shall also be sent simultaneously to such rating organization. In considering the application to file such deviation the commissioner shall give consideration to the available statistics and the principles for rate making provided in section 2403. The commissioner shall issue an order permitting the deviation for such insurer to be filed if he finds it to be justified and it shall thereupon become effective. He shall issue an order denying such application if he finds that the deviation applied for does not meet the requirements of this chapter.

(2) Each deviation permitted to be filed shall remain in effect for a period of not less than 1 year from the effective date unless sooner withdrawn by the insurer with the approval of the commissioner or until terminated in accordance with the provisions of sections 2418 or 2420.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1964, Act 146, Eff. Aug. 28, 1964.

Popular name: Act 218

500.2452 Rating organizations; alternative deviation, without waiting period, procedure, termination of deviation.

Sec. 2452. (1) In lieu of the requirements of section 2450 for deviation and as an alternative method for deviation every member of or subscriber to a rating organization shall adhere to the filings made on its behalf by such organization except that any such insurer may make application to the commissioner to file a deviation from the class rates, schedules, rating plans or rules respecting any kind of insurance, or class of risk within a kind of insurance, or combination thereof. Such application shall specify the basis for the modification and a copy shall also be sent simultaneously to such rating organization. Every such application shall become effective immediately as of the date filed with the commissioner. In considering the application to file such deviation the commissioner shall give consideration to the available statistics and the principles for rate making provided in section 2403. The commissioner shall issue an order approving of the deviation as filed if he finds it meets the requirements of section 2403. If the commissioner finds that the deviation does not comply with the requirements of this chapter, he may issue an order determining wherein and to what extent such proposal is deemed to be improper and fixing a date thereafter, within a reasonable time, after which such deviation shall no longer be effective. Any order of disapproval under this section must be entered within 30 days of the date the application for the deviation affected is filed with the commissioner. If such deviation shall be disapproved, the insuring provisions of any contract or policy issued prior to the time the order becomes effective shall not be affected. But if the commissioner disapproves such deviation as not being in compliance with section 2403, he may order an adjustment of the premium to be made with the policyholder either by refund or collection of additional premium, if the amount is substantial and equals or exceeds the cost of making the adjustment.

(2) Each deviation filed and so approved shall remain in effect for a period of not less than 1 year from the effective date unless sooner withdrawn by the insurer with the approval of the commissioner or until terminated in accordance with the provisions of sections 2418 or 2420.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1964, Act 146, Eff. Aug. 28, 1964.

Popular name: Act 218

500.2456 Rating organizations; subscriber appeal to insurance commissioner from action by organization.

Sec. 2456. (1) Any member of or subscriber to a rating organization may appeal to the commissioner from the action or decision of such rating organization in approving or rejecting any proposed change in or addition to the filings of such rating organization and the commissioner shall, after a hearing held upon not less than 10 days' written notice to the appellant and to such rating organization, issue an order approving the action or decision of such rating organization or directing it to give further consideration to such proposal, or, if such appeal is from the action or decision of the rating organization in rejecting a proposed addition to its filings, he may, in the event he finds that such action or decision was unreasonable, issue an order directing the rating organization to make an addition to its filing, on behalf of its members and subscribers, in a manner consistent with his findings, within a reasonable time after the issuance of such order.

(2) If such appeal is based upon the failure of the rating organization to make a filing on behalf of such member or subscriber which is based on a system of expense provisions which differs, in accordance with the right granted in section 2403 (1) (b) from the system of expense provisions included in a filing made by the rating organization, the commissioner shall, if he grants the appeal, order the rating organization to make the requested filing for use by the appellant. In deciding such appeal the commissioner shall apply the standards set forth in section 2403.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2458 Furnishing information as to rates; hearings for persons aggrieved by rating system; appeal; representation.

Sec. 2458. Each rating organization and insurer that makes its own rates, within a reasonable time after receiving written request for the information and on payment of a reasonable charge, shall furnish to an insured affected by a rate made by the rating organization or insurer, or to the insured's authorized representative, all pertinent information as to the rate. Pertinent information under this section does not include information that is a trade secret as determined by the director under section 2108(5) or 2406(6). Each rating organization and insurer that makes its own rates shall provide within this state reasonable means for a

person aggrieved by the application of its rating system to be heard, in person or by his or her authorized representative, on his or her written request to review the manner in which the rating system has been applied in connection with the insurance afforded to him or her. If the rating organization or insurer fails to grant or reject the request within 30 days after it is made, the applicant may proceed in the same manner as if his or her application had been rejected. A party affected by the action of the rating organization or insurer on the request may appeal, within 30 days after written notice of the action, to the director, who, after a hearing held on not less than 10 days' written notice to the appellant and to the rating organization or insurer, may affirm or reverse the action. A person who requests a hearing before the director under this section may be represented at the hearing by an attorney. A person, other than an individual, that requests a hearing before the director under this section may also be represented by an officer or employee of that person. An individual who requests a hearing before the director under this section may also be represented by a relative of the individual.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1988, Act 262, Imd. Eff. July 15, 1988;—Am. 2015, Act 141, Eff. Jan. 11, 2016.

Popular name: Act 218

500.2462 Advisory organizations; definition; filing; discontinuance of unfair or unreasonable practices; rate filings; violation.

Sec. 2462. (1) Every group, association or other organization of insurers, whether located within or outside this state, which assists insurers which make their own filings or rating organizations in rate making, by the collection and furnishing of loss or expense statistics, or by the submission of recommendations, but which does not make filings under this chapter, shall be known as an advisory organization.

(2) Every advisory organization shall file with the commissioner:

(a) A copy of its constitution, its articles of agreement or association or its certificate of incorporation and of its bylaws, rules and regulations governing its activities,

(b) A list of its members,

(c) The name and address of a resident of this state upon whom notices or orders of the commissioner or process issued at his direction may be served, and

(d) An agreement that the commissioner may examine such advisory organization in accordance with the provisions of section 2468.

(3) If, after a hearing, the commissioner finds that the furnishing of such information or assistance involves any act or practice which is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, he may issue a written order specifying in what respects such act or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, and requiring the discontinuance of such act or practice.

(4) No insurer which makes its own filings nor any rating organization shall support its filings by statistics or adopt rate making recommendations, furnished to it by an advisory organization which has not complied with this section or with an order of the commissioner involving such statistics or recommendations issued under subsection (3) of this section. If the commissioner finds such insurer or rating organization to be in violation of this subsection he may issue an order requiring the discontinuance of such violation.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2464 Joint underwriting or reinsurance; unfair activities.

Sec. 2464. (1) Every group, association or other organization of insurers which engages in joint underwriting or joint reinsurance, shall be subject to regulation with respect thereto as herein provided, subject, however, with respect to joint underwriting, to all other provisions of this chapter and, with respect to joint reinsurance, to sections 2468 (examination), 2478 (penalties), and 2482 (appeals).

(2) If, after a hearing, the commissioner finds that any activity or practice of any such group, association or other organization is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, he may issue a written order specifying in what respects such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, and requiring the discontinuance of such activity or practice.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2468 Examination of rating organizations; report.

Sec. 2468. (1) The commissioner may make or cause to be made an examination of each rating organization licensed in this state under section 2436, each advisory organization referred to in section 2462,

and of each group, association, or other organization referred to in section 2464. The reasonable costs of the examination shall be paid by the rating organization, advisory organization, or group, association, or other organization examined upon presentation to it of a detailed account of those costs. The officer, manager, agents, and employees of the rating organization, advisory organization, or group, association, or other organization may be examined at any time under oath and shall exhibit all books, records, accounts, documents, or agreements governing its method of operation. The examination is subject to the procedure provided for in section 222 relating to examinations of insurance companies.

(2) Instead of an examination under subsection (1), the commissioner may accept the report of an examination made by the insurance supervisory official of another state, pursuant to the laws of that state.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 2002, Act 37, Imd. Eff. Mar. 7, 2002.

Popular name: Act 218

500.2472 Statistical plans; exchange of data, consultation.

Sec. 2472. (1) The commissioner shall promulgate reasonable rules and statistical plans, reasonably adapted to each of the rating systems on file with him, which may be modified from time to time and which shall be used thereafter to the extent applicable to its particular rating system or systems, by each insurer in the recording and reporting of its loss and countrywide expense experience, in order that the experience of all insurers may be made available at least annually in such form and detail as may be necessary to aid him in determining whether rating systems comply with the standards set forth in section 2403. Such rules and plans may also provide for the recording and reporting of expense experience items which are specially applicable to this state and are not susceptible of determination by a prorating of countrywide expense experience. In promulgating such rules and plans, the commissioner shall give due consideration to the rating systems on file with him and, in order that such rules and plans may be as uniform as is practicable among the several states, to the rules and to the form of the plans used for such rating systems in other states. No insurer shall be required to record or report its loss experience on a classification basis that is inconsistent with the rating system filed by it and no insurer shall be required to record or report its loss or expense experience on any basis or statistical plan that differs from that which is regularly employed and maintained in the usual course of such insurer's business, or to any rating organization or agency of which it is not a member or subscriber. The commissioner may designate 1 or more rating organizations or other agencies to assist him in gathering such experience and making compilations thereof, and such compilations shall be made available, subject to reasonable rules promulgated by the commissioner, to insurers and rating organizations.

(2) Reasonable rules and plans may be promulgated by the commissioner for the interchange of data necessary for the application of rating plans.

(3) In order to further uniform administration of rate regulatory laws, the commissioner and every insurer and rating organization may exchange information and experience data with insurance supervisory officials, insurers and rating organizations in other states and may consult with them with respect to rate making and the application of rating systems.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2474 Prohibited acts; violation; penalties.

Sec. 2474. A person or organization shall not wilfully withhold information from, or knowingly give false or misleading information to, the commissioner, any statistical agency designated by the commissioner, any rating organization, any data collection agency, or any insurer, which will affect the rates or premiums chargeable under this chapter. A violation of this section shall subject the person or organization guilty of the violation to the penalties provided in section 2478.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1982, Act 8, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2475 Policy forms and statistical plans for worker's compensation insurance; continuation.

Sec. 2475. The policy forms and statistical plans for worker's compensation insurance in effect on January 1, 1983 may continue to be used until changed pursuant to the requirements of this act.

History: Add. 1982, Act 7, Eff. Jan. 1, 1983.

Popular name: Act 218

500.2476 Assigned risks; rate modifications.

Sec. 2476. Agreements may be made among insurers with respect to the equitable apportionment among

them of insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods and such insurers may agree among themselves on the use of reasonable rate modifications for such insurance, such agreements and rate modifications to be subject to the approval of the commissioner.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2477 Repealed. 2016, Act 102, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to submission of data and information by insurer providing professional liability insurance.

500.2477a Repealed. 2016, Act 102, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to submission of data by insurer providing municipal liability insurance.

500.2477b Repealed. 2016, Act 102, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to submission of data by person paying or assuming liability to pay municipality liability or professional liability claim against health care provider.

500.2477c Repealed. 2016, Act 102, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to submission of data by attorney representing plaintiff or defendant in regard to municipal liability or professional liability claim against health care provider.

500.2477d Repealed. 2016, Act 98, Eff. Aug. 1, 2016.

Compiler's note: The repealed section pertained to publication of report by commissioner.

500.2478 Violation of chapter; imposition and disposition of civil fine; suspension or revocation of license.

Sec. 2478. (1) Subject to subsection (3), the commissioner may, if he or she finds that any person or organization has violated a provision of this chapter, previous to the date of his or her finding, impose a civil fine of not more than $300.00 for each violation, and if the violation is wilful, the commissioner may impose a civil fine of not more than $1,500.00 for each violation. A civil fine shall not be imposed for an offense that was committed more than 12 months prior to the date of the commissioner's findings. A fine collected under this subsection shall be turned over to the state treasurer and credited to the general fund of the state.

(2) The commissioner may suspend the license of any rating organization or insurer which fails to comply with an order of the commissioner within the time specified by the order, or any extension of the order which the commissioner may grant, but the suspension shall not affect the validity or continued effectiveness of rates previously filed and effective. The commissioner shall not suspend the license of any rating organization or insurer for failure to comply with an order until the time prescribed for an appeal from the order has expired, or, if an appeal has been taken, until the order has been affirmed. The commissioner may determine when a suspension of license shall become effective, and the suspension shall remain in effect for the period fixed by him or her, unless he or she modifies or rescinds the suspension, or until the order upon which the suspension is based is modified, rescinded, or reversed.

(3) A civil fine shall not be imposed and a license shall not be suspended or revoked except upon a written order of the commissioner, specifying the alleged violation and stating his or her findings, made after a hearing held upon not less than 10 days' written notice to the person or organization. An order issued by the commissioner pursuant to this section shall not require the payment of civil fines exceeding $10,000.00.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1984, Act 7, Imd. Eff. Feb. 1, 1984.

Popular name: Act 218

500.2482 Insurer or rating organization aggrieved by order without hearing; hearing, court review.

Sec. 2482. (1) Any insurer or rating organization aggrieved by any order or decision of the commissioner made without a hearing, may within 30 days after notice of the order to the insurer or organization, make written request to the commissioner for a hearing thereon. The commissioner shall hear such party or parties within 20 days after receipt of such request and shall give not less than 10 days' written notice of the time and place of the hearing. Within 15 days after such hearing the commissioner shall affirm, reverse or modify his previous action, specifying his reasons therefor. Pending such hearing and decision thereon the commissioner may suspend or postpone the effective date of his previous action.

(2) Any order or decision of the commissioner shall be subject to review in accordance with the provisions

of section 244, but no order or decision appealed from as herein provided shall become effective or be enforced pending final disposition of such appeal.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.2484 Insurance commissioner; regulatory powers.

Sec. 2484. The commissioner may make reasonable rules and regulations necessary to effect the purposes of this chapter.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

Administrative rules: R 500.901 et seq. and R 500.1201 et seq. of the Michigan Administrative Code.