



HOUSE BILL No. 5615

June 7 1994 Introduced by Reps DeLange Kukuk Bullard Nye and Goschka and referred to the Committee on Labor

A bill to amend section 2411 of Act No 218 of the Public Acts of 1956, entitled as amended

'Insurance code of 1956,'

as added by Act No 8 of the Public Acts of 1982, being section 500 2411 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 2411 of Act No 218 of the Public Acts
2 of 1956 as added by Act No 8 of the Public Acts of 1982 being
3 section 500 2411 of the Michigan Compiled Laws, is amended to
4 read as follows

5 Sec 2411 (1) Rates and rating systems used by any insurer
6 ~~with regard to~~ FOR worker s compensation insurance within this
7 state shall conform to the applicable requirements of this
8 section

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

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

4 (b) Similarity of expected losses as reflected by similar-
5 ties in pure premium and similarities in operations of employers
6 insured

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

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

14 (3) Each insurer shall establish a merit rating plan for
15 worker s compensation insurance whereby an insured s premium is
16 modified either prospectively or retrospectively The plans
17 required under this subsection shall provide for premium sur-
18 charges or credits based upon loss experience within a specified
19 period or other factors ~~which~~ THAT are reasonably related to
20 risk of loss The plan shall provide for sufficient premium dif-
21 ferentials so as to encourage safety and adequately reward
22 employers without a claim during the merit rating period The
23 sensitivity of a rating system may vary by size of the risk
24 involved AN INSURER SHALL NOT RETROACTIVELY RECLASSIFY AN
25 EMPLOYEE OR A GROUP OF EMPLOYEES OF AN EMPLOYER FOR WHICH IT HAS
26 WRITTEN A WORKER'S COMPENSATION INSURANCE POLICY DURING THE FINAL
27 AUDIT AT THE END OF A POLICY PERIOD IF THE RECLASSIFICATION

1 RESULTS IN AN INCREASE IN PREMIUM REQUIRED TO BE PAID BY THE
2 INSURED EMPLOYER FOR THAT POLICY PERIOD

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