

THE INSURANCE CODE OF 1956 (EXCERPT)

Act 218 of 1956

CHAPTER 27

LEGAL EXPENSE INSURANCE

500.2700 Applicability of chapter.

Sec. 2700. This chapter shall apply to legal expense insurance policies.

History: Add. 1982, Act 501, Imd. Eff. Dec. 31, 1982.

Popular name: Act 218

500.2702 Meaning of group legal expense insurance.

Sec. 2702. Group legal expense insurance is that form of voluntary legal expense insurance covering not less than 5 employees or members, with or without their eligible dependents, written under a master policy issued to any governmental corporation, unit, agency, or department thereof, or to any corporation, partnership, individual employer, or any association, upon application of any executive officer or trustee of such association having a constitution or bylaws, and formed in good faith for purposes other than that of obtaining insurance where officers, members, employees, or classes or departments thereof may be insured for their individual benefit.

History: Add. 1982, Act 501, Imd. Eff. Dec. 31, 1982.

Popular name: Act 218

500.2704 Rate-making procedure; uniformity among insurers; excessive rates.

Sec. 2704. (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. Experience rating is permitted for groups.

(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 which 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. 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 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. 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.

(3) Rates shall be considered excessive if the insurer fails to annually file an actuarial certification that the legal expense policies are expected to return to policyholders in the form of aggregate benefits under the policy, as estimated for the entire period for which rates are computed to provide coverage, on the basis of incurred claims experience and earned premiums for that period, and in accordance with accepted actuarial principles and practices, the following:

(a) In the case of group policies other than group employee benefit policies, at least 75% of the aggregate amount of premiums collected.

(b) In the case of individual policies, at least 65% of the aggregate amount of premiums collected.

History: Add. 1982, Act 501, Imd. Eff. Dec. 31, 1982.

Popular name: Act 218

500.2706 Procedures and standards for approval of casualty rates and forms to apply to legal expense insurance.

Sec. 2706. (1) Except as provided in subsection (2), the procedures and standards contained in chapter 22, sections 2406 to 2430, section 2478, and chapter 30 for the approval of casualty rates and forms shall apply to legal expense insurance.

(2) Employee group policies shall be exempt from the rate filing requirements provided in subsection (1). An insurer which does not file rates for employee group policies shall retain such rates on file for a period of 5 years.

History: Add. 1982, Act 501, Imd. Eff. Dec. 31, 1982.

Popular name: Act 218