

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

500.2008 Audit of insured's payroll expenditures; purpose; request; failure to complete payroll audit or final audit as unfair or deceptive act or practice; failure to pay premium adjustment or dividend on timely basis as unfair or deceptive act or practice; "timely basis" defined; interest; applicability of section.

Sec. 2008. (1) Upon the written request of an insured, an insurer shall audit or cause to be audited an insured's payroll expenditures for the purpose of determining the proper worker's compensation insurance premiums. The written request of the insured shall include a statement that the insured has reason to believe that there has been not less than a 20% change in payroll expenditures and the reasons for that belief. The audit shall be completed within 120 days of the receipt of the written request, if all required information to complete the audit has been made available. Only 1 audit per calendar year conducted at the request of the insured is required under this subsection.

(2) Except for a final audit, it is an unfair or deceptive act or practice in the business of insurance for an insurer to fail to complete a payroll audit which is required pursuant to the terms of a policy within 120 days after the date specified in the policy for the commencement of an audit, if all required information to complete the audit has been made available. It is an unfair or deceptive act or practice in the business of insurance if a final audit is not completed by an insurer within 120 days after the date of termination of the policy, if all required information to complete the audit has been made available.

(3) An insurer shall pay on a timely basis to its insured any adjustment in a premium, any dividend, a retrospective premium adjustment, or any similar amount which is due. It is an unfair or deceptive act or practice in the business of insurance for an insurer to not pay these amounts on a timely basis. As used in this section, "timely basis" means the following, as applicable:

(a) If the amount is due pursuant to a payroll audit, within 60 days after the completion of that audit.

(b) If the policy specifies a date on which an amount is due, on or before that date.

(c) If the date the amount is due is not specified in the policy, within 60 days after the expiration of the policy.

(d) In the case of a retrospective premium adjustment, as specified in the policy, or 9 months after expiration of the policy.

(e) In the case of a dividend, within 60 days after determination of the specific amount due.

(4) When an adjustment in a premium, a dividend, a retrospective premium adjustment, or a similar amount due an insured is not paid on a timely basis, the amount due shall bear simple interest from the applicable date specified in subsection (3) at the rate of 12% per annum. This interest shall be paid in addition to and at the time of payment of the amount due.

(5) This section only applies to worker's compensation insurance.

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

Popular name: Act 218