

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

**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