

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

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 within 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.