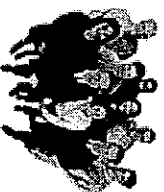


Insurors of Tennessee

An Association of Independent Insurance Agents



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Bonus Rule Law and Tennessee Exception Rule

Below is the code section which prohibits the including of bonuses in almost all cases.

50-6-402. Classification of risks and premiums - Filing - Approval [Amended effective July 1, 2001. See the Compiler's Notes].

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(a) In determining classifications of risks and premiums relating thereto, the insurer may include allowances of any character made to any employee, only when such allowances are in lieu of wages, and are specified as part of the wage contract.

Many companies refuse to recognize this exception for a variety of reason. The most common are they don't know about it, they include bonuses in other states, the bonus is regular or what ever they think of next.

The key to the law and the exception is that both parts must be true. That is the allowances must be both in lieu of wages and specified in the wage contract.

Here is copy of State Rule Exception 2 from the NCCI manual which basically says a company cannot included bonuses in the calculation of WC premiums.