



Senate Fiscal Agency
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Senate Bill 544 (as reported without amendment)
Sponsor: Senator Veronica Klinefelt
Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would amend Chapter 20 (Unfair and Prohibited Trade Practices and Frauds) of the Insurance Code to specify that an insurer's tendency to modify a policy or deny a claim based on material facts arising out of a claim's investigation process would constitute prohibited methods or practices of business under the Code.

MCL 500.2026

BRIEF RATIONALE

According to testimony, some bad actors in the insurance industry have financially harmed residents. While insurance costs rise, residents are uncertain whether they will receive from their insurance providers what their policy should require. Some have suggested that the insurance industry needs more deterrents against these bad practices, and the bill would establish more accountability and transparency throughout the industry for the protection of residents.

FISCAL IMPACT

The bill would have an indeterminate but likely positive fiscal impact on State and local units of government. The newly-included actions that could qualify as unfair methods of competition or unfair or deceptive acts or practices could result in additional civil fines imposed on insurers. Under current law, the Director of the Department of Insurance and Financial Services may impose a civil fine of up to \$1,000 per violation or \$5,000 per violation if the insurer reasonably knew that the insurer was in violation of the Code. The maximum aggregate penalty is \$10,000 for all violations committed within a six-month period under the first circumstance and \$50,000 under the latter.

Revenue collected from civil fines is used to support local libraries. The amount of revenue to the State or for local libraries that would be collected and distributed under the bill is indeterminate and dependent on the actual number of violations as well as the amount of the fines actually imposed. It is possible that the Department could incur minor costs associated with investigating violations of the bills' provisions.

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