Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 545 (as reported without amendment)
Sponsor: Senator Mary Cavanagh
Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would add Section 2229 to Chapter 22 (The Insurance Contract) of the Insurance Code to require an insurer to notify an insured individual if the insurer made a material change to the individual's automobile or homeowners insurance policy that was offered, entered, amended, or renewed after January 1, 2026.

"Material change" would mean the nonrenewal or cancellation of; an increase of more than 10% over the expiring premium for; a reduction in coverage of; or another adverse or unfavorable change in the terms of coverage or amount of insurance in connection with an automobile insurance or homeowners insurance policy.

Proposed MCL 500.2229

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. Insurers would be subject to civil fines if they were found to be in violation of the new provisions. Under current law, the Director of the Department of Insurance and Financial Service may impose a civil fine of up to $1,000 per violation or $5,000 per violation if the insurer reasonably knew the insurer was in violation of the Code. The maximum aggregate penalty is $50,000.

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 bill's provisions.

Date Completed: 10-20-25

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