



Senate Fiscal Agency
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Senate Bill 546 (as reported without amendment)
Sponsor: Senator Rosemary Bayer
Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would amend the Insurance Code to increase the monthly rate of interest for insurance claims not paid in a timely manner. The Code requires an insurance company to pay the benefits provided under the terms of its policy on a timely basis, generally within 60 days of an insurer receiving proof of loss. Currently, an insurance company must pay 12% interest per year on claims not paid in a timely manner. The bill would delete this provision and would instead require an insurance company to pay interest as follows:

- For a payment under 30 days late, 1.5% per month.
- For a payment between 31 and 90 days late, 2% per month.
- For a payment more than 90 days late, 4% per month.

The bill also would shorten, from 45 days to 30 days, the period of time during which a medical insurance company must pay an insurance claim or a health provider must fix claim errors.

MCL 500.2006 & 500.3142

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 increasing penalties for late payments would deter these bad practices, and so the bill would establish that protection for 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 Services may impose a civil fine of up to \$1,000 per violation or \$5,000 per violation if the insurer knew that 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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