

Legislative Analysis



ORR/ARC REPORT: INSURANCE AMENDMENTS

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House Bill 5891 (Substitute H-2)

Sponsor: Rep. Pete Lund

Committee: Insurance

Complete to 9-26-12

A SUMMARY OF HOUSE BILL 5891 AS REPORTED FROM COMMITTEE

The bill would amend the No-Fault Act, within the Insurance Code, in the following ways.

** Currently, the statute (in Section 2112) requires insurance companies to send policyholders at least annually a written notice on how rates are determined and why they vary, how they can obtain information to confirm the accuracy of premiums, how they can appeal the application of rating rules, and how to determine if more favorable premiums are available under other rating plans, among other things. The bill would instead require that written notice be sent to policyholders specifying that the information is available and will be provided on request. The notice would have to provide a telephone number and an internet address for the information request. The information, if requested, would have to be provided in either a written or electronic form, as requested by the policyholder.

This amendment was Recommendation #23 in the report by the Insurance and Finance Advisory Rules Committee (ARC), which was created by the Office of Regulatory Reinvention (ORR), in accordance with Executive Order 2011 5, as part of a comprehensive review of state regulations. The rationale was that a brief summary is preferable to the current extensive notice because "the booklet is very costly to provide and serves very little value to the consumer other than add cost to the system."

** Currently, agents are required (in Section 2116) to provide customers seeking home or auto insurance the "lowest available" premium quotation for the type of insurance coverage sought that are offered by the companies represented by the agent. The bill would amend this to say that an agent must provide "a premium quotation" rather than the "lowest available." Also, the act currently says an insurance agent "shall" provide additional premium quotations at the request of a customer if the agent represents additional insurers. The bill would instead say that the agent "may" provide such additional premium quotations.

This amendment regarding "lowest available" premiums was Recommendation #24 of ARC. Their rationale is that "such a requirement discriminates against agents that represent more than one insurer by adding additional business costs, is outdated with the advent [of] the ability for the consumer to electronically obtain market quotes without speaking to an agent, and is not reflective of today's competitive insurance market."

** Currently, Section 3109 of the statute limits the deductible that can be offered on personal injury protection (PIP) coverage, for a reduced premium, to \$300 per accident. The bill would eliminate that maximum amount. It also would remove language that requires prior approval of the insurance commissioner for any other deductible provisions.

This amendment was Recommendation #27 of ARC. The report says the deductible cap is "arbitrary."

** Section 3109a of the act says an insurance company providing PIP benefits "shall" offer, at appropriately reduced premium rates, deductibles, and exclusions reasonably related to other health and accident coverage on the insured. (This is typically referred to as coordinated coverage, and allows a reduced rate for customers who have other health insurance coverage). The bill would change the "shall" to a "may," meaning that companies can but need not offer reduced premiums, etc. for coordinated medical coverage.

This amendment is also part of Recommendation # 27. The report said, "for the most part, private health and accident policies do not cover auto accident-related injuries. So, auto no-fault insurers have been forced to sell the auto insurance policies at a discount, but have not been able to reduce their costs."

FISCAL IMPACT:

House Bill 5891, as introduced, would not have a significant fiscal impact on the Office of Financial and Insurance Regulation (OFIR).

POSITIONS:

The following indicated support for the bill to the House Insurance Committee on 9-20-12: The Office of Financial and Insurance Regulation (OFIR), the Insurance Institute of Michigan, the Michigan Insurance Coalition, Allstate, the Michigan Association of Independent Agents, and Farmers Insurance.

Legislative Analyst: Chris Couch
Fiscal Analyst: Paul Holland

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.