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BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

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Senate Bill 490 (as reported with amendment)
Sponsor: Senator Richard Posthumus
Committee: Commerce and Technology

Date Completed: 11-27-89

RATIONALE

The Michigan Insurance Code currently provides that standard fire insurance policies become effective at noon on the date specified in the policy. Further, although the Code requires policies to specify the date a policy will expire, no provision is made for specifying the time at which it will expire. Some claim that these provisions are problematic for both the insurance industry and the consumer. The "effective time" provision, for example, apparently is inconsistent with the "effective time" provisions in about 47 other states that use 12:01 a.m. as the time at which a policy becomes effective. Insurance companies that do business nationwide, therefore, must amend their policy forms to contain a noon effective time if they wish to do business in Michigan--a practice, some say, that is costly and burdensome to the insurers. Further, since all other property and casualty policies in Michigan have the 12:01 a.m. effective time, consumers who have several policies that include the same risk may have overlapping coverage or gaps in coverage. The same situation may occur because there is no specified expiration time for fire insurance policies.

CONTENT

The bill would amend the Insurance Code to require standard fire insurance policies to become effective at 12:01 a.m. standard time, and expire at 12:01 a.m. standard time, on the dates specified in the policy. The bill would take effect July 1, 1990.

MCL 500.2832

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

By specifying a 12:01 a.m. effective time and expiration time for standard insurance policies, the bill would bring the State's insurance policy provisions into conformance with those of 47 other states, would save insurers the cost of changing their forms to meet the State's format specifications, and would help ensure that consumers do not purchase overlapping policies or unknowingly have gaps in their coverage.

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