

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5224 (Substitute H-1 as reported without amendment)
Sponsor: Representative Vera Rison
House Committee: Insurance
Senate Committee: Financial Services

CONTENT

The bill would amend Section 2845 of the Insurance Code, which allows cities, villages, and townships to escrow 15% of fire insurance proceeds until there is evidence that the damaged property has been or will be repaired or replaced, and to use the money to perform the work if certain requirements are met. The bill would do the following:

- Increase the percentage that may be escrowed to 25%.
- Limit the escrowed amount to \$6,000 for residential property.
- Require the city, village, or township to notify the insured that he or she could object to the retention of the money. (Currently, the city, village, or township may seek a declaratory judgment of its right to the proceeds.)
- Allow a municipality to use escrowed funds after 120 (rather than 445) days.
- Specify that Section 2845 would apply only to insured real property located in a city, village, or township in a county with a population under 425,000, unless the city, village, or township had a population of 50,000 or more.

The bill would take effect on January 1, 1999, and would apply to losses that occurred on or after that date.

MCL 500.2845

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State government.

The bill would allow local units to increase from 15% to 25% the insurance withholding to remove blighted property. The 25% insurance withholding would be limited to \$6,000 for residential property, which would be adjusted annually for inflation.

Date Completed: 5-29-98

Fiscal Analyst: R. Ross