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NO-FAULT AUTOMOBILE INSURANCE

House Bill 4783

Sponsor: Rep. Alan Sanborn

**Committee: Insurance and Financial
Services**

Complete to 5-25-01

A SUMMARY OF HOUSE BILL 4783 AS INTRODUCED 5-17-01

Current law requires all automobile insurers in Michigan to participate in the Michigan Automobile Insurance Placement Facility. The facility was established to guarantee that automobile insurance coverage will be available to anyone who is unable to procure insurance through ordinary methods and to ensure for the public the benefits of price competition by encouraging maximal use of the normal private insurance system. Any agent who is authorized to solicit, negotiate, or effect automobile insurance on behalf of a participating member of the facility must offer to place automobile insurance through the facility for any qualified applicant that requests the agent to do so. If the applicant accepts such an offer, the agent must also forward the application and any required deposit premium in accordance with the facility's plan of operation, rules, and procedures. Furthermore, the agent is entitled to receive, and the participating member is entitled to pay, a commission for placing insurance through the facility at the uniform rates of commission as provided in the facility's plan of operation.

House Bill 4783 would establish a procedure for disqualifying an agent from placing automobile insurance through the facility if the agent persistently violated the rules detailed in the facility's plan of operation. The facility would be required to amend its plan of operation both to establish standards for disqualifying an agent and to describe the procedures that it would have to follow throughout the disqualification process. A detailed summary of the bill's provisions follows.

The facility would be required to notify the agent of his or her disqualification and notify the insurance commissioner of the disqualification. An agent could submit a written request for a hearing before the facility's board of governors or its designee no later than ten business days after the notice of disqualification was issued. The submission of a request would suspend the disqualification pending a ruling by the board of governors (or its designee). The hearing would have to be held no later than ten business days after the board received the request, and the board would have to issue a ruling no later than five days after the ruling. The board would also have to notify the insurance commissioner of its decision. If the ruling upheld the facility's original decision, the disqualification would take effect five calendar days after the date of the ruling.

The agent could appeal the ruling of disqualification by the facility's board of governors by filing a written appeal with the facility and the commissioner within 30 calendar days after the date of the ruling. However, the disqualification ruling would remain effective during the appeal process. The commissioner (or his or her designee) would be required to provide a hearing and

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could disapprove or approve of the board's ruling or it could direct the board to reconsider its ruling.

Although a disqualified agent could still place automobile insurance through an authorized insurer in the voluntary market, he or she could not:

- Solicit, negotiate, or effect automobile insurance on behalf of any participating member through the facility.
- Submit new applications to the facility.
- Service any existing facility policies except as permitted by the facility's user manual under procedures for disqualified agents.
- Be entitled to compensation for either new business applications or renewals.
- Obtain any binders or other supplies from the facility; any existing binders or supplies would have to be surrendered to the facility upon request.

The bill would require the facility to amend its plan of operation to establish standards and procedures for disqualifying an agent, including at least all of the following:

- A list of actions or inactions that may lead to disqualification.
- Details for how the agent could petition the facility for removing the disqualification.
- The requirement that the written notification of disqualification specify the reasons for the disqualification, the procedure for appeal to the board, and the conditions and procedures for petitioning the facility for removing the disqualification.
- The requirement that the procedure by which the disqualified agent could appeal the disqualification to the board protect the interests of both the agent and the facility.
- Specifications for a notice informing the disqualified agent of how he or she could appeal the board of governors' ruling of disqualification to the insurance commissioner.

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■ 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.