



**House
Legislative
Analysis
Section**

House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

**AUTO POLICY
CANCELLATION/HEARING FEE**

**House Bill 4784 as introduced
First Analysis (6-5-01)**

**Sponsor: Rep. Alan Sanborn
Committee: Insurance and Financial
Services**

THE APPARENT PROBLEM:

The Insurance Code of 1956 allows an insurer to cancel an automobile insurance policy on certain grounds. The insurer must send a written notice of cancellation, explaining the grounds for cancellation, to the insured. Under certain circumstances, the insured may request a hearing to contest the grounds for cancellation by filing a written request for hearing within seven days after the date of postmark indicating mailing of the notice of cancellation. Chapter 32 of the Insurance Code specifies that the insured is to file the request with the Office of Financial and Insurance Services (OFIS) and requires the insured to pay a \$15 filing fee.

Chapter 21 of the Insurance Code, one of several chapters added by the Essential Insurance Act, establishes a right to a conference with the insurer for a person who has reason to believe he or she has been improperly denied insurance. If the conference with the insurer does not settle the dispute, the person is entitled to an informal review before the Commissioner of Financial and Insurance Services. There is no charge for this informal appeal process. If dissatisfied with the commissioner's informal determination, either party may still request that the commissioner hear the matter as a contested case.

THE CONTENT OF THE BILL:

House Bill 4784 would eliminate the \$15 filing fee and specify that the request for a hearing to contest cancellation of an automobile liability insurance policy is to be filed with the Commissioner of Financial and Insurance Services. The request would still have to be filed within seven days after the date of the postmark date of the cancellation notice.

MCL 500.3230

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

Consumers' rights are extremely important, and their right to appeal a determination made by an insurer should not be made subject to unfair or arbitrary conditions. Under the Insurance Code, consumers are already provided with a cost-free procedure for resolving disputes over denial of auto insurance. Moreover, OFIS offers informal mediation services at no cost to the consumer, through its Consumer Assistance Section. It seems unfair and arbitrary to charge certain individuals for contesting cancellation of auto insurance while not charging those who dispute an insurer's denial of coverage. OFIS routinely returns fees paid when the commissioner receives a written request for a hearing. Though pleased, those who pay the fees are confused when their checks are returned or when they are told that they do not need to pay the fee. This legislation would simply bring the law in conformity with OFIS's practice, clarifying that those who contest cancellation of auto insurance may do so without cost. The bill would eliminate consumer's confusion—and save OFIS costs and time—associated with the *de facto* elimination of the filing fee.

POSITIONS:

The Office of Financial and Insurance Services supports the bill. (5-31-01)

Analyst: J. Caver

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House Bill 4784 (6-5-01)