

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



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

Senate Bill 991 (as introduced 1-9-02)
Sponsor: Senator Alan Sanborn
Committee: Financial Services

Date Completed: 3-11-02

CONTENT

The bill would amend the Insurance Code to revise certain eligibility requirements for insurance policies. Specifically, the bill would:

- Render ineligible for home insurance any person who had been denied a claim based on evidence of arson or fraud.**
- Increase the minimum required insured value for a home repair cost policy from \$7,500 to \$20,000, and a replacement policy from \$15,000 to \$35,000.**
- Include as a criterion for establishing underwriting rules an insured's failure to correct a physical condition that would present a risk of repeated loss.**
- Render ineligible a person who sought to insure a dwelling whose physical condition clearly presented an extreme likelihood of a significant loss.**
- Establish as a criterion for underwriting rules in home or auto insurance an insured's or applicants' threats, harassment, or assault on an insurance employee.**

Currently, the Code renders ineligible for home insurance any person who has successfully been denied, within the last five years, a claim under a home insurance policy in excess of \$2,000 based on evidence of arson, conspiracy to commit arson, misrepresentation, fraud, or conspiracy to commit fraud by or on behalf of the person. The amount of the denied claim must be greater than either 15% of the amount of insurance in force, if the claim is under a repair cost policy; or 10% of the amount of insurance in force if the claim is under a replacement cost policy. The bill would delete the \$2,000 claim requirement, as well as the percentage amounts of the denied claims.

The Code renders ineligible for home insurance a person who seeks to buy a repair cost policy on a dwelling with an insured value of less than \$7,500, or who seeks to buy a replacement policy on a dwelling with an insured value of less than \$15,000. The bill would increase those amounts to \$20,000 and \$35,000 respectively.

Under the Code, the underwriting rules an insurer may establish for home insurance must be based on specific, listed criteria. The bill would delete from these criteria the physical conditions of a house that clearly present an extreme likelihood of a significant loss under the liability coverages of a home insurance policy. This criterion applies only to new policies. Under the bill, however, a person who insured or sought to insure such a dwelling would be ineligible for home insurance.

Under the bill, in both home and automobile insurance underwriting rules, a new basis for an underwriting rule would be established: evidence that the insured or applicant for insurance was involved in one or more incidents involving a threat, harassment, or physical assault on an insurer employee, agent, or agent employee while acting within the scope of his or her employment, as long as a report of the incident was filed with a law enforcement agency.

Under the Code, the provisions under Chapter 21 (Automobile Insurance and Home Insurance) do not apply to insurance written on a group, franchise, blanket policy, or similar basis that offers home or auto insurance to all members of the group, franchise plan, or blanket coverage who are eligible. The bill would exempt from this provision Section 2117, which regulates home insurance underwriting rules, as well as a provision specifying the effective date of a notice of termination of insurance.

MCL 500.2103 et al.

Legislative Analyst: Claire Layman

FISCAL IMPACT

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

Fiscal Analyst: Elizabeth Pratt