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SFA BILL ANALYSIS

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Senate Bill 1385 (Substitute S-1 as reported)
Sponsor: Senator Bill Bullard, Jr.
Committee: Financial Services

CONTENT

The bill would amend provisions of the Insurance Code concerning insurers' internal grievance procedures, to do the following:

-- Require disability income insurers to establish internal grievance procedures.
-- Specify that the section requiring insurers and health maintenance organizations (HMOs) to establish internal grievance procedures would not apply to a policy or coverage that is exempt from the Patient's Right to Independent Review Act (PRIRA).
-- Specify that the section requiring insurers to pay the State's expenses incurred under the internal grievance procedure requirements, would not apply to a policy or coverage exempt from PRIRA.

The Code requires each insurer and HMO to establish an internal formal grievance procedure, containing specific provisions, for people covered under a policy, certificate, or contract issued under Chapter 34, 35, or 36 of the Code (which govern disability insurance policies, HMOs, and group and blanket disability insurance, respectively). Under the bill, this requirement would not apply to a policy, certificate, care, coverage, or insurance exempt from PRIRA (e.g., a policy or certificate providing coverage only for specified accident or accident-only coverage, credit, disability income, hospital indemnity, disease, dental, or vision care).

The bill would require each disability income insurer to establish an internal grievance procedure for people covered under a disability income policy, certificate, or contract. The procedure would have to provide for a designated person responsible for administering the procedure and a designated person or telephone number for receiving grievances; ensure full investigation of a grievance; provide for the insured's right to have the grievance reviewed by a managerial-level person or group; provide for timely notification to the insured of the progress and results of an investigation; and, if the insurer upheld its prior determination on the grievance, provide for advising the insured of his or her right to present the grievance to the Commissioner of the Office of Financial and Insurance Services for review.

The procedure also would have to require the insurer to make a final written determination within 45 days after the insured submitted a written grievance, unless the insurer required an extension of time to obtain additional information. The extension could not exceed 45 days unless the insured failed to submit information necessary to decide the claim on appeal.

MCL 500.2213 et al. Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

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

Date Completed: 10-1-02 Fiscal Analyst: Maria Tyszkiewicz