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SFA BILL ANALYSIS

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House Bill 4029 (Substitute H-1 as passed by the House)
Sponsor: Representative Andrew Richner
House Committee: Insurance and Financial Services
Senate Committee: Financial Services

Date Completed: 5-22-01

CONTENT

The bill would amend the Insurance Code to double the dollar amounts for claims paid under a home insurance policy that may be the basis for nonrenewal of the policy; permit an insurer to adopt an underwriting rule on the claim history of long-term policy holders; and, provide for the adjustment of the minimum dollar amounts of paid claims every six years. The bill would take effect January 1, 2002.

Currently, the underwriting rules that an insurer may establish for home insurance must be based on certain conditions. For nonrenewal of home insurance policies, the conditions include the claim history under the policy, excluding liability claims, if there has been at least one of the following:

-- Three paid claims within the immediately preceding three-year period totaling at least $750, exclusive of weather-related claims. The bill would increase the dollar amount to $1,500.
-- Three paid claims within the immediately preceding three-year period totaling at least $1,000, including weather-related claims. The bill would increase the dollar amount to $2,000.

Under the bill, an underwriting rule for nonrenewal of a home insurance policy also could consider a history of at least three paid claims within an immediately preceding three-year period if the insurer met all of the following:

-- The insurer had an underwriting rule as described above in effect.
-- The underwriting rule was for a paid claim history that totaled at least $1,500, excluding weather-related claims, and at least $2,000 including weather-related claims.
-- The underwriting rule applied to an insured who had had a home insurance policy with the insurer for a continuous minimum period of time between five and 10 years, as determined by the insurer.

Currently, the minimum dollar amounts of three paid claims, either excluding or including weather-related claims, must be adjusted biennially pursuant to rules promulgated by the Commissioner of the Office of Financial and Insurance Services, based upon an appropriate index relating to the cost of claims. Under the bill, the minimum dollar amounts would have to be adjusted on January 1, 2006, and on January 1 every sixth year thereafter, to reflect the aggregate annual average percentage change in the U.S. consumer price index since the previous adjustment, rounded to the nearest hundred dollars.

MCL 500.2117 Legislative Analyst: L. Arasim

FISCAL IMPACT

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

Fiscal Analyst: M. Tyszkiewicz