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**SFA**



**BILL ANALYSIS**

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House Bill 4783 (as passed by the House)  
Sponsor: Representative Alan Sanborn  
House Committee: Insurance and Financial Services  
Senate Committee: Financial Services

Date Completed: 10-2-01

## **CONTENT**

**The bill would amend the Insurance Code to allow the Michigan Automobile Insurance Placement Facility to disqualify an agent from placing automobile insurance through the facility if the agent persistently violated the facility's rules contained in its plan of operation. The bill also would require the facility to notify the agent and the Commissioner of the Office of Financial and Insurance Services of the disqualification; allow the agent to request a hearing for disqualification before the facility's board of governors; allow the agent to appeal the disqualification ruling to the Commissioner; and require the facility to amend its plan of operation to establish standards and procedures for disqualifying an agent.**

An agent could submit a written request for a hearing before the facility's board of governors or its designee within 10 business days after the notice was issued. If a written request for a hearing were received, the disqualification would have to be suspended pending a ruling by the board. The board or its designee would have to hold a hearing within 10 business days after receiving the written request, issue a ruling within five business days after the hearing, and notify the Commissioner of the ruling. A ruling of disqualification by the board or its designee would take effect five calendar days after the date of the ruling.

An agent could appeal a ruling of disqualification to the Commissioner by filing a written notice of appeal with the facility and the Commissioner within 30 calendar days after the date of the ruling. The disqualification ruling would remain effective during the process of appealing to the Commissioner. Upon receiving the appeal, the Commissioner or his or her designee would have to provide a hearing under the Administrative Procedures Act, and approve, disapprove, or direct the board or its designee to reconsider its ruling.

On and after the effective date of a disqualification, the disqualified agent could not do any of the following:

- Solicit, negotiate, or effect automobile insurance on behalf of any participating member through the facility.
- Submit new applications through 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.

A disqualification would not affect the disqualified agent's authority to place automobile insurance through an authorized insurer in the voluntary market.

The facility would have to amend its plan of operation to establish standards and procedures for disqualifying an agent from placing automobile insurance through the facility. These standards and procedures would have to contain at least all of the following:

- The actions or inactions that could lead to an agent's disqualification.
- Standards and procedures under which an agent could petition the facility for removal of the disqualification.
- That written notification would have to be sent to an agent that had been disqualified. The notification would have to include the reasons for the disqualification, the procedure to be followed to appeal the disqualification to the board or its designee, and the conditions and procedures under which the agent could petition the facility for the removal of the disqualification.
- A procedure under which the disqualified agent could appeal the disqualification to the board, that protected the interests of both the agent and the facility. The procedure would have to include the opportunity for the agent, upon request and payment of a reasonable copying charge, to receive any information pertinent to the disqualification.
- A notice to the disqualified agent after the board's or its designee's ruling as to how the agent could appeal that ruling to the Commissioner or his or her designee if the agent disagreed with the ruling.

MCL 500.3355

## **BACKGROUND**

Under Chapter 33 of the Insurance Code, every insurer authorized to write automobile insurance in Michigan is required to participate in the Michigan Automobile Insurance Placement Facility in order to ensure that automobile insurance coverage will be available to any person who is unable to obtain it through ordinary methods, and to promote price competition by encouraging maximum use of the normal private insurance system. The facility's operations are directed by an 11-member board of governors, which includes seven members elected pursuant to the facility's plan of operation, and four members appointed by the Commissioner.

Legislative Analyst: N. Nagata

## **FISCAL IMPACT**

The bill would allow for an appeal to the Commissioner, which would increase responsibilities and could increase costs. The Office of Financial and Insurance Services has no information regarding the potential number of appeals; therefore the annual costs are unknown.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.