

Senate Fiscal Agency
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House Bill 4784 (as reported without amendment)
Sponsor: Representative Alan Sanborn
House Committee: Insurance and Financial Services
Senate Committee: Financial Services

Date Completed: 10-8-01

RATIONALE

Chapter 32 of the Insurance Code allows insurers to cancel a policy holder's automobile insurance on certain grounds. In order to protect the consumer, the Code gives the insured the right to contest the cancellation by filing a written request for a hearing and paying a \$15 fee to the Office of Financial and Insurance Services (OFIS). Chapter 21 of the Code, however, allows a person *denied* auto insurance a process to resolve and, if necessary, contest that decision without paying a fee. The OFIS views these two practices as contradictory, and so routinely returns the \$15 check to the consumer contesting a cancellation. It has been suggested that the fee requirement be eliminated.

CONTENT

The bill would amend the Insurance Code by eliminating a \$15 filing fee necessary to contest an automobile policy cancellation. The Code states that the consumer's request for a hearing must be filed within seven days after notice of the cancellation is mailed; the bill would retain that requirement.

MCL 500.3230

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Under the Insurance Code, consumers are provided with a cost-free procedure for resolving disputes over denial of auto

insurance. In addition, the Consumer Assistance Section, part of the OFIS, offers informal mediation services at no cost to the consumer. It seems unfair and arbitrary to charge some people for contesting cancellation of insurance and not charge others for contesting denial of coverage. In an effort to be fair to the consumer, streamline the process, and clear up confusion, the bill would eliminate the filing fee to consumers disputing cancellation of insurance coverage.

Legislative Analyst: C. Layman

FISCAL IMPACT

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

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.