

# Legislative Analysis



## INSURANCE PRODUCER ADMINISTRATIVE FEES

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**House Bill 6098 (Substitute H-1)**

**Sponsor: Rep. Joe Hune**

**Committee: Insurance**

**Complete to 6-27-06**

## A SUMMARY OF HOUSE BILL 6098 AS REPORTED FROM COMMITTEE

The bill would amend the Insurance Code to allow an insurance producer to charge an administrative fee for rendering services associated with an insurance policy in certain circumstances. Fees could be charged if 1) the amount charged is reasonably related to recouping the administrative overhead associated with providing the service, and 2) the producer provides a schedule of fees upon request.

The code defines “insurance producer” to mean a person required to be licensed under the laws of this state to sell, solicit, or negotiate insurance. (Section 1201)

Administrative fees could not be charged for 1) services performed with the initial issuance of an insurance policy, or 2) services performed for the first time for a person for documentation related to an insurance policy.

The bill also specifies that an insurer producer, notwithstanding the limitations of the bill, could charge an administrative fee in connection with a surplus lines insurance transaction. The bill would repeal Section 1915 of the code, which places a general limit on fees charged by surplus lines licensees. (Chapter 19 is known as the Surplus Lines Insurance Act and applies to insurance not typically available from standard insurance companies operating in the state.)

MCL 500.1241

## FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

## BACKGROUND INFORMATION:

Representatives of insurance agents have testified that the increase in requests for information on customer policies and other information is imposing a burden on agencies. They note in particular that the increase in home refinancing has led to repeated requests for the same information. Agents would like relief from these increased administrative costs by being able to charge for second and subsequent requests for information on the same insurance policy. Insurance regulators, while supporting the

concept, are concerned about the broadness of the fee provision and would prefer more specific language about which fees can be charged to whom.

**POSITIONS:**

The Michigan Association of Independent Insurance Agents testified in support of the bill. (6-22-06)

The Office of Financial and Insurance Services (OFIS) indicated support for the concept of the bill. (6-22-06)

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