

Legislative Analysis



WAIVER-OF-CUSTOMER-LIABILITY AGREEMENTS: NOT SUBJECT TO THE INSURANCE CODE

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House Bill 6248 (Substitute H-1)

Sponsor: Rep. Joe Hune

Committee: Insurance

Complete to 7-13-06

A SUMMARY OF HOUSE BILL 6248 AS REPORTED FROM COMMITTEE

The bill would amend the Insurance Code to specify that a waiver-of-customer-liability agreement is not insurance or the business of insurance and is not subject to the Insurance Code.

Such an agreement would be defined as an optional agreement between a service provider and a customer of the service under which the provider agrees, in return for a charge payable by the customer, to waive all or a portion of the customer's liability to the provider in certain circumstances. These circumstances could include the customer's call to active military service, involuntary unemployment, death, disability, hospitalization, marriage, divorce, evacuation, displacement due to natural disaster or other cause, qualification for family leave, or similar qualifying events and conditions.

The term "service provider" would refer to public and private providers of electricity, natural gas, water, sewer, solid waste collection, or any similar service, as well as providers of communications services, including cable and broadband service, IP-enabled voice service, cellular or mobile service, or any other similar service.

MCL 500.126

BACKGROUND INFORMATION:

The Office of Financial and Insurance Services (OFIS) points out that many utility companies offer debt waiver/cancellation contracts to assist customers in paying utility bills in the event of a "life changing event" that affects their ability to pay. Reportedly, utilities are concerned that such contracts could be considered insurance and regulated under the Insurance Code. Although OFIS has never considered such contracts to be insurance (and the attorney general has supported this approach), the bill would make the policy explicit in statute. The only concern expressed is that by specifically exempting these kinds of contracts, the status of similar arrangements not explicitly exempted could be called into question.

FISCAL IMPACT:

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

POSITIONS:

The Office of Financial and Insurance Services supports the bill. (6-23-06)

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