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BILL ANALYSIS

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Senate Bill 24 (as introduced 1-19-11)
Sponsor: Senator Tonya Schuitmaker
Committee: Insurance

Date Completed: 5-10-11

CONTENT

The bill would amend the Insurance Code to do the following with regard to a premium finance company that was majority owned by insurance producers:

- **Allow a company to remunerate its insurance producer owners, unless the company were financing life insurance or annuity policies.**
- **Require an insurance producer who was also an owner to disclose that fact, along with other information, to an applicant for a premium finance agreement.**
- **Prohibit an insurance producer from requiring a consumer to enter into a premium finance agreement as a condition of an insurance contract.**
- **Prohibit an insurance producer from taking certain actions to influence a consumer's selection or purchase of a premium finance agreement.**

An insurance premium finance agreement is an agreement by which an insured or prospective insured promises to pay a premium finance company the amount advanced or to be advanced under the agreement to an insurer or to an insurance agent in payment of premiums on an insurance contract together with a service charge.

The Commissioner of the Office of Financial and Insurance Regulation may revoke or suspend the license of a premium finance company if, after investigation, it appears to the Commissioner that the company has remunerated any insurance agent or any employee of an insurance agent or any other person as an inducement to the financing of any insurance policy with the premium finance company. The bill states that this provision would not prohibit a premium finance company that was majority owned by insurance producers from remunerating any of its insurance producer owners, unless the company were involved in any manner in financing life insurance or annuity policies or contracts.

The bill also would refer to an insurance producer, rather than insurance agent.

Under the bill, a premium finance company that was majority owned by insurance producers would have to require compliance by an insurance producer that was an owner of the company with all of the following provisions.

The insurance producer would have to disclose to an applicant for a premium finance agreement all of the following:

- That the applicant was not required to enter into a premium finance agreement with a particular finance company.

-- Except as otherwise provided by law, that the applicant was not required to enter into a premium finance agreement with the insurance producer or an affiliate as a condition of the contract of insurance.
-- That entering into a premium finance agreement with the insurance producer was optional and would not affect current or future policy decisions in any way.
-- That the insurance producer had an ownership interest in the premium finance company and entering into a premium finance agreement could provide the insurance producer with a financial benefit.

The insurance producer would have to obtain from the applicant a dated and signed acknowledgment of receipt of the required disclosure before the premium finance agreement was executed. The disclosure document could be a separate, clearly written document that included an acknowledgment of receipt, or it could be part of the premium finance agreement if it were displayed conspicuously and clearly written, and contained a dedicated date and signature line acknowledging receipt.

The insurance producer could not require a consumer to enter into a premium finance agreement through a particular producer or agency or with a particular finance company, or fix or vary the terms or conditions of an insurance contract as an inducement to execute a premium finance agreement. Also, except as otherwise provided by law, the insurance producer could not require a consumer to enter into a premium finance agreement with the producer or an affiliate as a condition of an insurance contract.

An officer or employee of an insurance producer could not directly or indirectly delay or impede the completion of a transaction for the purposes of influencing a consumer's selection or purchase of a premium finance agreement from a producer, solicitor, agency, or insurer that was not affiliated with the insurance producer.

MCL 500.1505 Legislative Analyst: Julie Cassidy

FISCAL IMPACT

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

Fiscal Analyst: Josh Sefton

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