



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 5891 (Substitute H-2 as passed by the House)  
Sponsor: Representative Pete Lund  
House Committee: Insurance  
Senate Committee: Insurance

Date Completed: 11-27-12

**CONTENT**

**The bill would amend the Insurance Code to do the following:**

- **Eliminate a requirement that an automobile or home insurer send policyholders an annual notice containing information regarding the establishment of premiums, and instead require the insurer to notify policyholders that the information was available upon request.**
- **Allow, rather than require, an insurance agent who represents multiple insurers to provide additional premium quotations as requested by an eligible person seeking home or auto insurance.**
- **Eliminate a \$300 limit on the deductible that an auto insurer may offer to a policyholder in exchange for a reduced premium, as well as a requirement that the Commissioner of Financial and Insurance Regulation approve other deductible provisions.**
- **Allow, rather than require, an insurer to offer deductibles and exclusions reasonably related to other health and accident coverage on an insured in exchange for a reduced premium.**

Notice to Policyholders

Under the Code, at least annually, in conjunction with a renewal notice, a bill, or other notice of payment due issued to a policyholder in conjunction with an automobile or home insurance contract, an insurer must send to each policyholder a written notice of all of the following:

- A description of the specific rating classifications by which the rates and premiums for the policy have been determined.
- A general explanation of the extent to which rates or premiums vary among policyholders on the basis of the insurer's rating classifications.
- Sources and reasonable procedures by which the policyholder can obtain additional information from the insurer sufficient for the policyholder to calculate and confirm the accuracy of his or her specific premium.
- A description of all of the underwriting rules of the insurer and its affiliates on insurance eligibility points.
- A suggestion that the policyholder contact his or her agent to determine if he or she is eligible for insurance from an affiliate of the insurer or under a different rating plan of the insurer that would provide insurance at a more favorable premium.

The notice also must include relevant information regarding a policyholder's rights under the Code to appeal the application of the insurer's rating plan in determining his or her premium, to obtain documentation regarding the determination of the rate, to appeal the application of the insurer's underwriting rules to the policyholder, to request an informal conference with an insurer, and to file with the Commissioner a complaint as an aggrieved person.

Under the bill, rather than sending the notice containing the specified information to the policyholder, the insurer would have to send written notice that the information was available and would be provided to the policyholder upon request. In the notice, the insurer would have to give the policyholder a telephone number and internet address by which he or she could contact the insurer to request the information. The insurer would have to provide the requested information in either a written or an electronic format, as requested by the policyholder.

### Insurance Agents

The Code requires an insurance agent licensed to represent one or more insurers to inform an eligible person seeking home or auto insurance of the number of insurers that the agent represents. If the agent represents additional insurers from which the eligible person may obtain insurance, the agent must provide additional premium quotations as requested by the person. Under the bill, the provision of additional quotations would be permissive rather than mandatory.

### Personal Protection Insurance Benefits

Chapter 31 (Motor Vehicle Personal and Property Protection) allows an insurer providing personal protection insurance benefits to offer, at appropriately reduced premium rates, a deductible of a specified dollar amount. The deductible may be applicable to all or any of specified types of personal protection insurance benefits, but may apply only to benefits payable to the person named in the policy, his or her spouse, and any relative of either domiciled in the same household. The deductible may not exceed \$300 per accident. The bill would delete the \$300 limit. The bill also would delete language requiring the approval of the Commissioner for any other deductible provisions.

Currently, an insurer providing personal protection insurance benefits must offer, at appropriately reduced premium rates, deductibles and exclusions reasonably related to other health and accident coverage on the insured. The bill would permit, rather than require, the insurer to offer these deductibles and exclusions.

MCL 500.2112 et al.

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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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.