

Legislative Analysis



INSURANCE AGENT'S FIDUCIARY RESPONSIBILITY

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4376 (proposed substitute H-1)

Sponsor: Rep. Brenda Carter

Committee: Insurance and Financial Services

Complete to 4-20-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4376 would amend the Insurance Code to modify the responsibilities of an agent (i.e., an insurance producer) as a fiduciary.

Currently, the act states that an agent is a fiduciary for all money received in their capacity as an agent. The act imposes various requirements on agents' conduct in their fiduciary capacity. The bill would retain and reorganize these current requirements.

The bill also would impose new limitations on how an agent can hold premiums and return premiums in their fiduciary capacity. Under the bill, an agent would have to treat all premiums and return premiums as fiduciary money and segregate the premiums from the agent's own money. The premiums would have to be kept in a separate account (which could be interest-bearing) in a federally insured state or federally chartered financial institution. The account could be established with a deposit of the agent's own money. Subsequent deposits of the agent's own money could be made only to pay or avoid financial institution charges and fees. Any of the agent's own money deposited into the account would have to be separately accounted for and identifiable in the agent's books and records.

An agent could hold premiums in the separate account described above for the purpose of paying future premiums on behalf of an insured individual with that individual's written authorization.

MCL 500.1207

FISCAL IMPACT:

The bill would not have a fiscal impact on the state or on local units of government.

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