



Senate Fiscal Agency  
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House Bill 4331 (Substitute S-1 as reported)  
Sponsor: Representative Karen Whitsett  
House Committee: Insurance and Financial Services  
Senate Committee: Housing and Human Services

### **CONTENT**

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

- Increase the maximum amount that may be escrowed for local governments from insurance claims for residential property loss to \$24,000 and require that amount to be adjusted annually by the Consumer Price Index, beginning July 1, 2024.
- Allow a local government to use retained insurance proceeds to repair any property if that local unit of government had not been shown reasonable proof that the concerned residential property had been repaired or removed within one year after the insurer provided notice to the insured.

MCL 500.2227

### **BRIEF RATIONALE**

Generally, insurers must withhold in escrow up to \$12,000 of a final settlement for damages to a property to secure, repair, or demolish that property, under certain conditions. That amount is returned to the property owner upon proof of securing such services. According to testimony before the Senate Committee on Housing and Human Services, many damaged properties are abandoned and left for the city to address. Reportedly, the withholding amount has not kept up with the cost of inflation and cities have insufficient funds to demolish blighted properties.

Legislative Analyst: Eleni Lionas

### **FISCAL IMPACT**

The bill would increase the amount that may be held in escrow for rebuilding and demolishing for cities, villages, and townships from approximately \$15,800 to \$24,000. This would lead to a positive fiscal impact on the city, village, or township if it were unable to recoup the full costs of the rebuilding or demolition. The bill would have no fiscal impact on the State.

Date Completed: 4-17-24

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