



Senate Fiscal Agency
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Senate Bill 543 (as introduced 9-17-25)
Sponsor: Senator Mary Cavanagh
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 9-23-25

CONTENT

The bill would amend Chapter 1 (Scope of Code) and Chapter 20 (Unfair and Prohibited Trade Practices and Frauds) of the Insurance Code to increase the monetary penalties that the Director of the Department of Insurance and Financial Services (DIFS) may order against an insurer that violated the Code.

General Violations

Any person who violates any provision under the Code for which a specific penalty is not provided under any other provision of the Code or another law must be afforded a hearing before the Director of DIFS. If the Director finds that the violation has occurred, the Director may order payment of a civil fine of not more than \$1,000 for each violation; however, if the person knew or reasonably should have known that the person was in violation of the Code, the Director may order the payment of a civil fine of not more than \$5,000 for each violation.

Under the bill, the penalties prescribed above would apply to a person other than an insurer found in violation of the Code. For an insurer found in violation of the Code, the bill would allow the Director to order a civil fine of up to \$50,000 for each violation; however, if the insurer knew or reasonably should have known that the insurer was in violation of the Code, the Director could order a civil fine of up to \$100,000 for each violation. An order of the Director under this provision could not require civil fines exceeding \$500,000. A fine collected would have to be turned over to the State Treasurer and credited to the General Fund.¹

Violations Concerning Unfair and Prohibited Practices

Chapter 20 specifies what constitutes unfair and prohibited practices in the insurance industry, such as employing marketing methods in insurance sales that are threatening or forceful or discriminating against an individual based on protected characteristics like race, sex, or age. Chapter 20 affords a person accused of unfair and prohibited practices an opportunity for a hearing before the Director. If the Director determines after a hearing that the accused person had engaged in an unfair and prohibited practice, the Director may order payment of up to \$1,000 for each violation not to exceed an aggregate penalty of \$10,000; however, if the person knew or reasonably should have known the person was in violation of the Chapter, the penalty may be up to \$5,000 for each violation and must not exceed an aggregate penalty of \$50,000 for all violations committed in a six-month period.

¹ With respect to filings made by an insurer under Chapters 21, 22 (The Insurance Contract), 23 (Worker's Compensation Insurance Rates), 24 (Casualty Insurance Rates), and 26 (Fire and Inland Marine Rates), "violation" means a filing not in compliance with those Chapters and does not include an action with respect to an individual policy based on a noncomplying filing.

Under the bill, the penalty above would apply to a person that was not an insurer. For a person that was an insurer that had engaged in unfair or prohibited practices, the Director could order payment of a monetary penalty of up to \$50,000 for each violation but not in excess of an aggregate penalty of \$100,000; however, if the insurer knew or reasonably should have known that the insurer was in violation of Chapter 20, the penalty could not be more than \$50,000 for each violation and could not exceed an aggregate penalty of \$500,000 for all violations committed in a six-month period.

MCL 500.150 & 500.2038

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have a positive fiscal impact of State and local units of government. The bill would modify the civil fines that the Director of DIFS may impose under the Code. The changes are displayed in the tables.

For violations of the Insurance Code, where a penalty is not otherwise specified, the Director could impose civil fines as follows:

	Current Law	SB 543	
	All actors	Insurer	Person other than an Insurer
Penalty per violation	Not more than \$1,000	Not more than \$50,000	Not more than \$1,000
Penalty per violation, if actor reasonably knew actor was in violation of the Code	Not more than \$5,000	Not more than \$100,000	Not more than \$5,000
Maximum payment under subdivision	\$50,000	\$500,000	\$50,000

For cases for which the Director determined that a person engaged in methods of competition or unfair or deceptive acts or practices, the Director could impose civil fines as follows:

	Current Law	SB 543	
	All actors	Insurer	Person other than an Insurer
Penalty per violation	Not more than \$1,000	Not more than \$50,000	Not more than \$1,000
Maximum aggregate penalty for all violations committed in six-month period	\$10,000	\$100,000	\$10,000
Penalty per violation, if actor reasonably knew that actor was in violation of the Code	Not more than \$5,000	Not more than \$50,000	Not more than \$5,000
Maximum aggregate penalty for all violations committed in a six-month period if actor reasonably knew that actor was in violation of the Act	\$50,000	\$500,000	\$50,000

Revenue collected from civil fines is used to support local libraries. The amount of revenue that would be collected and distributed under the bill is indeterminate and dependent on the actual number of violations as well as the amount of the fines actually imposed.

Fiscal Analysts: Nathan Leaman
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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.