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## BILL ANALYSIS



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Senate Bill 544 (as introduced 9-17-25)  
Sponsor: Senator Veronica Klinefelt  
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 9-23-25

**CONTENT**

**The bill would amend Chapter 20 (Unfair and Prohibited Trade Practices and Frauds) of the Insurance Code to specify that an insurer's tendency to modify a policy or deny a claim based on material facts arising out of a claim's investigation process would constitute prohibited methods or practices of business under the Code.**

The Code prescribes what constitutes unfair methods of competition and unfair or deceptive acts or practices and prohibits these methods and practices. Among others, the Code specifies that certain methods and practices in the business of insurance indicate a tendency to engage in that type of prohibited conduct, except in isolated incidents. Examples include misrepresenting facts concerning insurance policy provisions or failing to act promptly with respect to claims made under an insurance policy.

The bill would add the following to the list of methods and practices prohibited as described above:

- Failing to complete underwriting before issuing a policy or certificate or re-underwriting an insurance policy because a claim on that policy was filed.
- Denying claims due to material facts discovered by the insurer during the claims investigation process that the insurer would have discovered during the underwriting process using reasonable diligence.

MCL 500.2026

**FISCAL IMPACT**

The bill would have an indeterminate but likely positive fiscal impact on State and local units of government. The newly-included actions that could qualify as unfair methods of competition or unfair or deceptive acts or practices could result in additional civil fines imposed on insurers. Under current law, the Director of the Department of Insurance and Financial Services may impose a civil fine of up to \$1,000 per violation or \$5,000 per violation if the insurer reasonably knew that the insurer was in violation of the Code. The maximum aggregate penalty is \$10,000 for all violations committed within a six-month period under the first circumstance and \$50,000 under the latter.

Revenue collected from civil fines is used to support local libraries. The amount of revenue to the State or for local libraries 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. It is possible that the Department could incur minor costs associated with investigating violations of the bills' provisions.

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