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BILL ANALYSIS



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Senate Bill 545 (as introduced 9-17-25)
Sponsor: Senator Mary Cavanagh
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 9-23-25

CONTENT

The bill would add Section 2229 to Chapter 22 (The Insurance Contract) of the Insurance Code to require an insurer to notify an insured individual if the insurer made a material change to the individual's automobile or homeowners insurance policy that was offered, entered, amended, or renewed after January 1, 2026.

Insurers and Insured Individuals

Specifically, the bill would require an insurer that made a material change to an insured individual's automobile insurance or homeowners insurance policy to provide a written notice to the insured individual that included either of the following:

- An explanation of the principal factors for the material change.
- A statement that the insured individual had the right to request, in writing, and obtain an explanation of the principal factors for the material change.

"Material change" would mean the nonrenewal or cancellation of; an increase of more than 10% over the expiring premium for; a reduction in coverage of; or another adverse or unfavorable change in the terms of coverage or amount of insurance in connection with an automobile insurance or homeowners insurance policy. The term would *not* include any of the following:

- An increase in the insurer's filed rate plan and automatic inflationary increases.
- An additional premium due to a change initiated by an insured individual, such as adding or removing vehicles or drivers, adding additional coverages, or increasing coverage limits or deductibles.
- An additional premium due to a change in risk exposure because of the insured individuals' voluntary participation in a usage-based or telematics insurance program.

If an insurer received a written request for an explanation, the bill would require the insurer to provide such an explanation.

A notice or explanation under the bill would have to meet the following requirements:

- Be sufficiently clear and use language sufficiently specific to enable the insured individual to identify the basis for the insurer's decision to make the material change.
- Include, in no particular order, a description of the principal factors most heavily weighed by an insurer in making a material change.
- Provide a point of contact through which the insured individual could discuss the reasons for the material change.

Statements that the material change was based on the insurer's internal standards, policies, or models would not meet the bill's requirements, nor would statements that the insured individual failed to achieve a particular score on the insurer's scoring system. A statement containing generalized terms, including poor loss history or poor insurance score, also would not be sufficient.

Insurers and Insurance Producers

The bill would require an insurer to provide a copy of a written notice and explanation to the insurance *producer*, if any, if the producer had represented the insured individual in obtaining coverage from the insurer or represented the insurer regarding the provisions of coverage to the insured individual *and* if the producer was not an employee, exclusive agent, or captive agent of the insurer.

Form of Notice, Request, and Explanations

Generally, the bill would require a notice, request, or explanation to be provided by first-class mail; however, these documents also could be delivered, stored, and presented by electronic means.¹ An insurer could provide a written notice or a written explanation to an insurance producer through the insurer's portal for insurance producer communications.

Additional Provisions

The bill would prohibit an insurer from offering, entering, or renewing a policy of automobile insurance or homeowners insurance in the State unless the policy conformed with the requirements listed above; however, the bill's provisions would apply to policies issued, delivered, amended, or renewed after January 1, 2026.

The bill's requirements would not replace the requirements under any other section of the Code requiring notice of cancellation for an automobile insurance policy or homeowners insurance policy. It would not apply to notices required under the Fair Credit Reporting Act.

The bill would not prohibit an insurer from voluntarily providing the disclosures required by the bill.

Proposed MCL 500.2229

FISCAL IMPACT

The bill would have an indeterminate but likely positive fiscal impact on State and local units of government. Insurers would be subject to civil fines if they were found to be in violation of the new provisions. Under current law, the Director of the Department of Insurance and Financial Service may impose a civil fine of up to \$1,000 per violation or \$5,000 per violation if the insurer reasonably knew the insurer was in violation of the Code. The maximum aggregate penalty is \$50,000.

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

¹ The bill would require an electronic transaction such as this to meet the requirements of the Uniform Electronics Transaction Act, which governs the transmission, retention, and form of electronic transactions. For more information, see MCL 450.831 to 450.849.

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 bill's provisions.

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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.