

Senate Fiscal Agency
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SFA

BILL ANALYSIS

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Senate Bill 883 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Alan Sanborn
Committee: Financial Services

CONTENT

The bill would create Chapter 16 (Creditor-Placed Insurance) within the Insurance Code to do all of the following:

- Provide for creditor-placed insurance, which would allow creditors to purchase insurance on collateralized personal property and charge the cost of the coverage to the debtor.
- Require the debtor and creditor to enter into a credit agreement, which would state the debtor's responsibility to maintain insurance on the collateral, and authorize the creditor to place the insurance if the debtor failed to provide evidence of the insurance.
- Require that the creditor provide time and notice for the debtor to purchase insurance before creditor-placed insurance was purchased.
- Require that all policy forms and schedules for creditor-placed insurance be filed with the Commissioner of the Office of Financial and Insurance Services, who would have to approve or disapprove them.
- Authorize the Commissioner to conduct investigations or examinations of insurers and producers, and to bring an action in circuit court for an injunction or for restitution on behalf of wronged parties.
- Permit an insurer or producer to request a hearing to protest an order issued by the Commissioner, and allow a person to seek judicial review of a final order or decision.
- Allow the Commissioner to levy monetary penalties against an insurer who had violated an order of the Commissioner.

With certain exceptions, all creditor-placed insurance written in connection with personal, family, or household purposes would be subject to Chapter 16.

Proposed MCL 500.1601-500.1631

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bill would increase the responsibilities of the Commissioner of the Office of Financial and Insurance Services (OFIS) within the Department of Consumer and Industry Services. The added responsibilities would include approval or disapproval of forms, rate schedules, and related materials with regard to the proposed creditor-placed insurance. The Commissioner also would have the authority to conduct investigations of insurers offering creditor-placed insurance. A hearing process would be provided for review of contested disapprovals or penalties. These procedures would be similar to those for other types of insurance filings. In FY 2001-02, the OFIS is funded entirely from restricted fee and assessment revenue. The requirements of the new program would increase the workload on existing personnel; however, Department staff indicate that the exact impact is not known.

The bill would have no fiscal impact on local government.

Date Completed: 3-13-02

Fiscal Analyst: Elizabeth Pratt