



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 715 (as introduced 12-5-13)
Sponsor: Senator Casperson
Committee: Insurance

Date Completed: 3-4-14

CONTENT

The bill would add Chapter 22A to the Insurance Code to do the following regarding a certificate of insurance for property or casualty coverage:

- **Prohibit a person from issuing a certificate of insurance that would alter the coverage provided by an insurance policy referred to in the certificate, or contained false or misleading information concerning a policy, or requiring the issuance of a certificate with false or misleading information regarding a policy.**
- **Require that a certificate of insurance not be issued unless it included a statement indicating that no rights were conferred beyond what the insurance policy provided.**
- **Provide that a person would have a right to notice of cancellation only under the terms of an insurance policy.**
- **Prescribe administrative and civil remedies for violations of Chapter 22A.**

The bill would define "certificate of insurance" as "a document regardless of how titled or described, that is prepared by an insurer or insurance producer that is a statement or summary of an insured's property or casualty insurance coverage". The term would not include an insurance policy, insurance binder, policy endorsement, automobile identification card, certificate issued under a group or master policy, or evidence of coverage provided to a lender in a lending transaction involving a mortgage, lien, deed of trust, or other security interest in or on any real or personal property.

The bill would prohibit a person from: a) issuing a certificate of insurance that would alter, amend, or extend the coverage provided by an insurance policy referred to in the certificate, b) issuing a certificate that contained false or misleading information concerning an insurance policy, or c) demanding or requiring the issuance of a certificate from an insurer, insurance producer, or policyholder that contained false or misleading information concerning an insurance policy referred to in the certificate.

A certificate of insurance could not be issued or delivered unless it contained a statement indicating that the certificate was issued as a matter of information only, and that it would confer no rights upon a person who requested the certificate beyond what the insurance policy expressly provided. The statement also would have to indicate that the certificate would not extend, amend or alter the coverage, terms, exclusions, or conditions afforded by an insurance policy referred to in the certificate.

The bill provides that a certificate would not represent an insurer's obligation to give notice of cancellation or renewal to a person, except as provided in an insurance policy. A person would be entitled to notice of cancellation, nonrenewal, and any similar notice only if the

person had notice rights under the terms of a policy or an endorsement to a policy of insurance. The terms and conditions of notice would be governed by the policy or endorsement and would not be altered by the certificate of insurance.

If the Director of the Department of Insurance and Financial Services found that a person had violated Chapter 22A, after an opportunity for a hearing under the Administrative Procedures Act, the Director would have to reduce the findings and decision to writing and serve the person charged with the violation with a copy of the findings and a cease-and-desist order. The Director also could order the payment of a civil fine of \$500 per violation, or, if the person knew or should have known he or she was in violation of Chapter 22A, \$2,500 per violation, up to a maximum of \$25,000. Any fine collected would have to be turned over to the State Treasurer and be credited to the General Fund. In addition, the Director could apply to the Circuit Court of Ingham County for an order enjoining a violation of Chapter 22A.

Proposed MCL 500.2270-500.2277

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would result in an indeterminate increase in revenue at the State level, and an indeterminate increase in court caseloads at the local government level.

State:

Under the bill, fines for violations of proposed Chapter 22A would be directed to the State General Fund. Depending on the nature and number of violations, each assessed fine would range from \$500 to \$25,000. As it is unknown how many violations would occur, any resulting increase in the General Fund is indeterminate.

The Department of Insurance and Financial Services (DIFS) would incur additional administrative expenses regarding charging individuals with violations of Chapter 22A, and holding hearings for alleged violations. According to DIFS, any increases in administrative expenses would be covered by current revenue sources.

Local:

The bill would increase caseloads at the circuit court level. The bill would authorize the Director of DIFS to apply to the Ingham County 30th Circuit Court for an injunction relating to violations of Chapter 22A. The bill also would require opportunity for a hearing under the Administrative Procedures Act if a person were charged with a violation. Under that Act, challenges of administrative hearing decisions or orders may be appealed to the circuit court in which the petitioner resides, or to the Ingham County 30th Circuit Court (MCL 24.303). Since it is unknown how many violations and subsequent challenges would occur, and how many injunctions the Director would pursue, the potential increase in cases is indeterminate.

Fiscal Analyst: Glenn Steffens

S1314\sb715sa

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.