

WITHHOLDING FIRE INSURANCE PAYMENTS UNTIL REPORT MADE TO LOCAL GOVERNMENT

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Senate Bill 697 (passed by the Senate as S-2)
Sponsor: Sen. Rick Jones
House Committee: Insurance
Senate Committee: Judiciary
Complete to 4-29-16

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

The bill would allow certain local units of government to participate in a program whereby individuals or entities with insurance against fire losses must make reports to the local fire or law enforcement authorities before they could receive insurance payments.

This would apply to claims of \$2,000 or more for loss or damage caused by a fire or explosion to an insured building, other structure, or personal property. The report would have to contain information about the building or structure fire or explosion, as prescribed by the Department of Insurance and Financial Services (DIFS) in conjunction with the Bureau of Fire Services (within the Department of Licensing and Regulatory Affairs).

The bill would only allow this local option to (1) a city, village, or township located in a county with a population of 425,000 or more; or (2) a city, village, or township with a population of 50,000 or more that is located in a less populous county. The local unit could elect to participate only by resolution of its governing body and would have to notify DIFS of its decision. (The larger counties qualifying are: Genesee, Kent, Macomb, Oakland, and Wayne, using 2010 census figures.)

If the local unit chooses to participate, an insurance company could not make further payments to an insured if the company receives written notice that the insured has failed or refused to submit the required signed, written report within 21 days after receiving a demand for the report from the fire or law enforcement authority. Payments could resume or begin if the insurance company receives a copy of the report or receives notice that the requested signed report has been submitted to the local fire or law enforcement authority. An insurance company or an agent or employee of the company would not be liable for damages for withholding money under these circumstances.

The director of the DIFS would have to prepare and distribute a list of the cities, villages, and townships that have elected to participate to all insurance companies that provide coverage within the state for loss by fire to buildings and other structures. Local units can be added to the list by submitting a written request. Similarly, a local unit could be deleted from the list, or could cease to apply the report requirement for a period of up to six months, on 30 days' written notice to DIFS. DIFS would have to update the list and notify local units and insurance companies of additions and deletions. Similarly, a local unit could be

deleted from the list, or could cease to apply the report requirement for a period of up to six months, on 30 days written notice to DIFS.

FISCAL IMPACT:

The bill would have a nominal fiscal impact on the Department of Insurance and Financial Services (DIFS) to the extent that DIFS would incur administrative expenses to prescribe the form of the report submitted to local units of government and prepare, amend, and distribute the list of local units of government opting to require the report to be submitted.

The bill would have an indeterminate fiscal impact on local units of government dependent on whether a local unit opted to require submission of the report and to the extent that local units would incur administrative expenses to receive and retain such reports; however, the information contained in such reports could potentially save local units resources in the investigation of fire and explosion incidents.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.