

HOUSE BILL No. 6216

November 5, 1998, Introduced by Rep. Galloway and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending section 1204c (MCL 500.1204c), as amended by 1996 PA 466, and by adding chapter 27a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 1204c. (1) As used in this section:
- 2 (a) "Agent" means a life-health agent or property-casualty
- 3 agent licensed under this chapter.
- 4 (b) "Hour" means a period of time of not less than 50
- 5 minutes.
- 6 (c) "Life-health agent" means a resident or nonresident
- 7 agent licensed for life, limited life, credit life, mortgage
- 8 redemption, accident and health, or any combination thereof.
- 9 (d) "Property-casualty agent" means a resident or
- 10 nonresident agent or solicitor licensed for automobile, fire,

1 multiple lines, any limited or minor property and casualty line,
2 or any combination thereof.

3 (2) Unless the agent has renewed his or her license pursuant
4 to subsection (4), an agent's hours of study accrued under this
5 section shall be reviewed for license continuance as follows:

6 (a) If the agent's license number ends in "1" as follows:

7 (i) If the agent's last name starts with A to L, on January
8 1, 1995 and on January 1 every 2 years thereafter.

9 (ii) If the agent's last name starts with M to Z, on
10 January 1, 1996 and on January 1 every 2 years thereafter.

11 (b) If the agent's license number ends in "2" as follows:

12 (i) If the agent's last name starts with A to L, on
13 February 1, 1995 and on February 1 every 2 years thereafter.

14 (ii) If the agent's last name starts with M to Z, on
15 February 1, 1996 and on February 1 every 2 years thereafter.

16 (c) If the agent's license number ends in "3" as follows:

17 (i) If the agent's last name starts with A to L, on March 1,
18 1995 and on March 1 every 2 years thereafter.

19 (ii) If the agent's last name starts with M to Z, on
20 March 1, 1996 and on March 1 every 2 years thereafter.

21 (d) If the agent's license number ends in "4" as follows:

22 (i) If the agent's last name starts with A to L, on June 1,
23 1995 and on June 1 every 2 years thereafter.

24 (ii) If the agent's last name starts with M to Z, on June 1,
25 1996 and on June 1 every 2 years thereafter.

26 (e) If the agent's license number ends in "5" as follows:

1 (i) If the agent's last name starts with A to L, on July 1,
2 1995 and on July 1 every 2 years thereafter.

3 (ii) If the agent's last name starts with M to Z, on July 1,
4 1996 and on July 1 every 2 years thereafter.

5 (f) If the agent's license number ends in "6" as follows:

6 (i) If the agent's last name starts with A to L, on
7 August 1, 1995 and on August 1 every 2 years thereafter.

8 (ii) If the agent's last name starts with M to Z, on
9 August 1, 1996 and on August 1 every 2 years thereafter.

10 (g) If the agent's license number ends in "7" as follows:

11 (i) If the agent's last name starts with A to L, on
12 September 1, 1995 and on September 1 every 2 years thereafter.

13 (ii) If the agent's last name starts with M to Z, on
14 September 1, 1996 and on September 1 every 2 years thereafter.

15 (h) If the agent's license number ends in "8" as follows:

16 (i) If the agent's last name starts with A to L, on
17 October 1, 1995 and on October 1 every 2 years thereafter.

18 (ii) If the agent's last name starts with M to Z, on
19 October 1, 1996 and on October 1 every 2 years thereafter.

20 (i) If the agent's license number ends in "9" as follows:

21 (i) If the agent's last name starts with A to L, on
22 November 1, 1995 and on November 1 every 2 years thereafter.

23 (ii) If the agent's last name starts with M to Z, on
24 November 1, 1996 and on November 1 every 2 years thereafter.

25 (j) If the agent's license number ends in "0" as follows:

26 (i) If the agent's last name starts with A to L, on
27 December 1, 1995 and on December 1 every 2 years thereafter.

1 (ii) If the agent's last name starts with M to Z, on
2 December 1, 1996 and on December 1 every 2 years thereafter.

3 (3) If an agent's hours of study would be reviewed according
4 to the schedule under subsection (2) within 23 months after issu-
5 ance of the initial license, the hours shall not be reviewed on
6 the first scheduled date following the issuance of the initial
7 license and shall be reviewed on the next scheduled review date
8 following the first review date according to the schedule under
9 subsection (2), unless the agent has renewed his or her license
10 pursuant to subsection (4).

11 (4) Except as provided in subsections (11) to (14), before
12 the review date of each applicable 2-year period provided for
13 under subsection (2) or (3), an agent wishing to renew his or her
14 license shall renew his or her license by attending or instruct-
15 ing not less than 30 hours of continuing education classes
16 approved by the commissioner or 30 hours of home study if evi-
17 denced by successful completion of course work approved by the
18 commissioner. Of the 30 hours of continuing education required,
19 a life-health agent shall attend or instruct not less than 15
20 hours in a program of study approved for life-health agents and a
21 property-casualty agent shall attend or instruct not less than 15
22 hours in a program of study approved for property-casualty
23 agents.

24 (5) After reviewing recommendations made by the council
25 under section 1204b, the commissioner shall approve a program of
26 study if the commissioner determines that the program increases
27 knowledge of insurance and related subjects as follows:

1 (a) For a life-health agent program of study, the program
2 offers instruction in 1 or more of the following:

3 (i) The fundamental considerations and major principles of
4 life insurance.

5 (ii) The fundamental considerations and major principles of
6 health insurance.

7 (iii) Estate planning and taxation as related to insurance.

8 (iv) Industry and legal standards concerning ethics in
9 insurance.

10 (v) Legal, legislative, and regulatory matters concerning
11 insurance, the insurance code, and the insurance industry.

12 (vi) Principal provisions used in life insurance contracts,
13 health insurance contracts, or annuity contracts and differences
14 in types of coverages.

15 (vii) Accounting and actuarial considerations in insurance.

16 (b) For a property-casualty agent program of study, the pro-
17 gram offers instructions in THE PROVISIONS OF CHAPTER 27A INCLUD-
18 ING, BUT NOT LIMITED TO, ADEQUATE UNDERWRITING OF THE STRUCTURE'S
19 COVERAGE, CONTENTS COVERAGE, AND ADDITIONAL LIVING EXPENSES AND
20 OFFERS INSTRUCTION IN 1 or more of the following:

21 (i) The fundamental considerations and major principles of
22 property insurance.

23 (ii) The fundamental considerations and major principles of
24 casualty insurance.

25 (iii) Basic principles of risk management.

26 (iv) Industry and legal standards concerning ethics in
27 insurance.

1 (v) Legal, legislative, and regulatory matters concerning
2 insurance, the insurance code, and the insurance industry.

3 (vi) Principal provisions used in casualty insurance con-
4 tracts, no-fault insurance contracts, or property insurance con-
5 tracts and differences in types of coverages.

6 (vii) Accounting and actuarial considerations in insurance.

7 (6) A provider of a program of study for agents applying for
8 approval or reapproval from the commissioner under this section
9 shall file, on a form provided by the commissioner, a description
10 of the course of study including a description of the subject
11 matter and course materials, hours of instruction, location of
12 classroom, qualifications of instructors, and maximum
13 student-instructor ratio and shall pay a nonrefundable \$25.00
14 filing fee. Any material change in a program of study shall
15 require reapproval by the commissioner. If the information in an
16 application for approval or reapproval is insufficient for the
17 commissioner to determine whether the program of study meets the
18 requirements under subsection (5), the commissioner shall give
19 written notice to the provider, within 15 days after the
20 provider's filing of the application for approval or reapproval,
21 of the additional information needed by the commissioner. An
22 application for approval or reapproval shall be considered
23 approved unless disapproved by the commissioner within 90 days
24 after the application for approval or reapproval is filed, or
25 within 90 days after the receipt of additional information if the
26 information was requested by the commissioner, whichever is
27 later.

1 (7) A provider of a program of study approved by the
2 commissioner under this section shall pay a provider authoriza-
3 tion fee of \$500.00 for the first year the provider's program of
4 study was approved under this section and a \$100.00 provider
5 renewal fee for each year thereafter that the provider offers the
6 approved program of study.

7 (8) A person dissatisfied with an approved program of study
8 may petition the commissioner for a hearing on the program or the
9 commissioner on his or her own initiative may request a hearing
10 on a program of study. If the commissioner finds the petition to
11 have been submitted in good faith, that the petition if true
12 shows the program of study does not satisfy the criteria in sub-
13 section (5), or that the petition otherwise justifies holding a
14 hearing, the commissioner shall hold a hearing pursuant to chap-
15 ter 4 of the administrative procedures act of 1969, ~~Act No. 306~~
16 ~~of the Public Acts of 1969, being sections 24.271 to 24.287 of~~
17 ~~the Michigan Compiled Laws 1969 PA 306, MCL 24.271 TO 24.287,~~
18 within 30 days after receipt of the petition and upon not less
19 than 10 days' written notice to the petitioner and the provider
20 of the program of study. If the commissioner requests a hearing
21 on a program of study on his or her own initiative, the commis-
22 sioner shall hold a hearing pursuant to chapter 4 of ~~Act No. 306~~
23 ~~of the Public Acts of 1969~~ THE ADMINISTRATIVE PROCEDURES ACT OF
24 1969, 1969 PA 306, MCL 24.271 TO 24.287, upon not less than 10
25 days' written notice to the provider of the program of study.

26 (9) If after a hearing under subsection (8) the commissioner
27 finds that the program of study does not satisfy the requirements

1 under subsection (5), the commissioner shall state, in a written
2 order mailed first class to the petitioner and provider of the
3 program of study, his or her findings and the date upon which the
4 commissioner will revoke approval of the program of study which
5 date shall be within a reasonable time of the issuance of the
6 order.

7 (10) A certificate of attendance or instruction of an
8 approved program of study or a certificate of successful comple-
9 tion of course work shall be filed as directed by the commis-
10 sioner on a form prescribed by the commissioner and shall indi-
11 cate the name and number of the course of study, the number of
12 hours, dates of completion, and the name and number of schools
13 attended or taught by the agent or the evidence of successful
14 completion of course work. A representative of the approved pro-
15 gram of study shall file the form and a fee of \$1.00 per hour for
16 course credit for each agent license renewal as directed by the
17 commissioner within 30 days after the agent completes the
18 program. A copy of the form shall also be mailed first class to
19 the agent who attended, taught, or successfully completed the
20 program of study. The commissioner may enter into contracts to
21 provide for the administrative functions of this subsection.

22 (11) The commissioner may waive the continuing education
23 requirements of this section for an agent if the commissioner
24 determines that enforcement of the requirements would cause a
25 severe hardship. The commissioner shall waive the continuing
26 education requirements of this section for an agent who is
27 licensed to write only travel or baggage insurance policies and

1 whose employment is for a purpose other than the sale of those
2 policies.

3 (12) The commissioner may enter into reciprocal continuing
4 education agreements with insurance commissioners from other
5 states. A person who is licensed pursuant to section 1204(5) is
6 not subject to the continuing education requirements under this
7 section if there is a reciprocal insurance continuing education
8 agreement with the insurance commissioner of the state of the
9 applicant's principal residence and there are continuing educa-
10 tion requirements in the state of the applicant's residence.

11 (13) If an agent has not met his or her continuing education
12 requirements by the expiration date of his or her license, the
13 agent shall have a 90-day grace period in which to meet the con-
14 tinuing education requirements of this section. During the
15 90-day grace period the agent shall not solicit or sell new poli-
16 cies of insurance, bind coverage, or otherwise act as an agent
17 except that the agent may continue to service policies previously
18 sold and may receive commissions on policies previously sold. If
19 the agent has not met his or her continuing education require-
20 ments by the expiration of the 90-day grace period, the agent's
21 license shall be canceled. An agent whose license has been
22 canceled under this section may reapply for license to act as an
23 agent under section 1204, except that the program of study
24 requirements under section 1204 shall not be waived.

25 (14) An agent who has sold his or her insurance business and
26 who has not met the continuing education requirements of this
27 section shall not solicit or sell new policies of insurance, bind

1 coverage, or otherwise act as an agent except that the agent may
2 continue to service policies previously sold and may receive com-
3 missions on policies previously sold as well as receive partial
4 commissions on policies of insurance sold by a purchasing agent.
5 An agent who is in the process of selling his or her insurance
6 business and who has not met the continuing education require-
7 ments of this section shall not solicit or sell new policies of
8 insurance, bind coverage, or otherwise act as an agent except
9 that the agent may continue to service policies previously sold
10 and may receive commissions on policies previously sold as well
11 as receive partial commissions on policies of insurance sold by a
12 purchasing agent, for a period not to exceed 12 months after the
13 selling agent's license review date under subsection (2). An
14 agent whose license has been canceled and who wishes to resume
15 soliciting or selling new policies of insurance, bind coverage,
16 or otherwise act as an agent and who has not met the continuing
17 education requirements within the immediately preceding 2-year
18 period may reapply for license to act as an agent under
19 section 1204, except that the program of study requirements under
20 section 1204 shall not be waived.

21 CHAPTER 27A

22 HOMEOWNERS' BILL OF RIGHTS

23 SEC. 2751. THIS CHAPTER APPLIES TO ALL POLICIES OF HOME
24 INSURANCE AS THAT TERM IS DEFINED IN SECTION 2103 UNLESS THIS
25 CHAPTER EXPRESSLY STATES OTHERWISE.

26 SEC. 2753. A HOMEOWNER'S INSURER SHALL IDENTIFY TO ITS
27 INSUREDS AND PROSPECTIVE APPLICANTS FOR INSURANCE WHETHER THE

1 POLICY COVERS THE FULL AMOUNT NEEDED TO REPLACE THE DWELLING TO
2 EFFECTUATE A CERTIFICATE OF OCCUPANCY, AND COVERS DAMAGE TO OTHER
3 STRUCTURES ON THE PROPERTY, CONTENTS, AND ANY COSTS INCIDENTAL
4 THERETO. LESSER COVERAGE MAY ALSO BE OFFERED, PROVIDED IT IS
5 CLEARLY IDENTIFIED IN THE POLICY.

6 SEC. 2755. A HOMEOWNER'S INSURANCE POLICY AND ANY ENDORSE-
7 MENTS SHALL CLEARLY IDENTIFY THE TYPE OF COVERAGE THAT IS PUR-
8 CHASED AND SHALL SPECIFICALLY IDENTIFY HOW THE COVERAGE IS
9 APPLIED. THE COVERAGE SHALL INCLUDE BUT IS NOT LIMITED TO ALL OF
10 THE FOLLOWING:

- 11 (A) LIABILITY COVERAGE.
- 12 (B) ADDITIONAL LIVING EXPENSES COVERAGE.
- 13 (C) CONTENTS COVERAGE.
- 14 (D) LANDSCAPE COVERAGE.

15 SEC. 2757. A HOMEOWNER'S INSURER AND ITS AGENTS AND EMPLOY-
16 EES SHALL PROVIDE ANY INTERESTED PARTY UPON REQUEST WITH A COPY
17 OF A SAMPLE POLICY AND SAMPLE ENDORSEMENTS AND SHALL PROVIDE TO
18 THE APPLICANT A COPY OF THE POLICY AND ENDORSEMENTS AT THE TIME
19 AN APPLICATION IS ACCEPTED.

20 SEC. 2759. A HOMEOWNER'S INSURER HAS A DUTY TO DISCLOSE
21 THAT INCLUDES BUT IS NOT LIMITED TO PROVIDING THAT POLICIES,
22 POLICY BOOKLETS, PAMPHLETS, OR ANY OTHER PRINTED CONTRACTUAL OR
23 MARKETING MATERIAL SPECIFICALLY STATES ANY AND ALL OPTIONAL OR
24 ADDITIONAL ENDORSEMENTS, AND THE SAME SHALL BE LISTED AS AVAIL-
25 ABLE FOR PURCHASE. THIS SAMPLE INFORMATION SHALL BE PROVIDED TO
26 ANY APPLICANT FOR INSURANCE AND SHALL BE PROVIDED TO EACH
27 POLICYHOLDER AT THE TIME AN APPLICATION IS ACCEPTED OR, IN THE

1 CASE OF AN EXISTING POLICYHOLDER, SHALL BE PROVIDED NOT LATER
2 THAN 30 DAYS AFTER THIS CHAPTER TAKES EFFECT.

3 SEC. 2761. A PERSON CONDUCTING THE SERVICES OF CLAIMS
4 ADJUSTING SHALL BE LICENSED BY THE STATE IF THE PERSON ADJUSTS
5 LOSSES EXCEEDING 10% OF THE STATE EQUALIZED VALUATION (SEV) OF
6 THE PROPERTY.

7 SEC. 2763. A HOMEOWNER'S INSURER SHALL NOT ASSIGN MORE THAN
8 2 ADJUSTERS ON ANY 1 CLAIM DURING A 6-MONTH PERIOD AND SHALL NOT
9 EXCEED THE ASSIGNMENT OF 2 ADJUSTERS UNTIL FULL AND FINAL SETTLE-
10 MENT OF THE ENTIRE CLAIM HAS BEEN MADE EXCEPT FOR GOOD CAUSE. A
11 GOOD CAUSE EXPLANATION SHALL BE CLEARLY DEFINED AND SUBMITTED IN
12 WRITING TO THE POLICYHOLDER AT THE TIME AN ASSIGNMENT OF MORE
13 THAN 2 ADJUSTERS HAS OCCURRED AND UPON EACH CHANGE IN ADJUSTER,
14 AND A WRITTEN SUMMARY OF THE SIGNIFICANT ACTIVITIES AND AGREE-
15 MENTS RELATING TO THE CLAIM SHALL BE PROVIDED TO THE
16 POLICYHOLDER. A WRITTEN EXPLANATION OF SIGNIFICANT ACTIVITIES
17 INCLUDES ANY DECISIONS OR ACTIONS THAT ARE RELEVANT TO THE DISPO-
18 SITION OF A CLAIM, INCLUDING BUT NOT LIMITED TO THE AMOUNT OF
19 LOSSES TO STRUCTURES OR PERSONAL PROPERTY OR THE CONSULTATION OF
20 ARCHITECTS, APPRAISERS, ENGINEERS, OR OTHER DESIGN OR CONSTRUC-
21 TION PROFESSIONALS, IF APPLICABLE.

22 SEC. 2765. ANY AGREEMENT BETWEEN A HOMEOWNER'S INSURER OR
23 ADJUSTER AND A POLICYHOLDER SHALL BE IN WRITING, SIGNED BY BOTH
24 PARTIES, AND SHALL BE BINDING UPON THE INSURER AND THE
25 POLICYHOLDER.

26 SEC. 2767. IF A POLICYHOLDER INSURED WITH A GUARANTEED
27 REPLACEMENT COVERAGE POLICY, A REPLACEMENT COVERAGE POLICY, OR A

1 STATED VALUE (ACTUAL CASH VALUE) COVERAGE POLICY, LOSES HIS OR
2 HER HOME AS A RESULT OF A PRESIDENTIAL- OR GOVERNOR-DECLARED
3 DISASTER, THE POLICYHOLDER MAY PURCHASE ANOTHER DWELLING, INCLUD-
4 ING THE LAND OR PARCEL UPON WHICH THE DWELLING IS SITUATED, WITH
5 FUNDS FROM HIS OR HER INSURANCE COVERAGE AS SPECIFIED ON THE
6 POLICY AND ENDORSEMENTS, WITHOUT HAVING TO SPEND ADDITIONAL FUNDS
7 FROM PERSONAL SOURCES, AS IF THE STRUCTURES WERE TO BE REPLACED
8 AT THE SITE OF THE LOSS.

9 SEC. 2769. THE COMMISSIONER SHALL PREPARE AND PROVIDE A
10 PAMPHLET TO INSURERS, LISTING AND DESCRIBING THE RIGHTS OF POLI-
11 CYHOLDERS UNDER CHAPTER 20, WITH APPLICABLE REGULATIONS, AND
12 SHALL DIRECT INSURERS TO PRINT AND DISTRIBUTE THIS PAMPHLET TO
13 POLICYHOLDERS AT THE TIME OF A LOSS.

14 SEC. 2771. EACH HOMEOWNER'S INSURER SHALL NOTIFY ITS POLI-
15 CYHOLDERS AS TO WHETHER THE INSURER IS LICENSED TO CONDUCT INSUR-
16 ANCE BUSINESS IN THIS STATE OR IS NOT LICENSED TO CONDUCT INSUR-
17 ANCE BUSINESS IN THIS STATE.

18 SEC. 2773. EACH HOMEOWNER'S INSURER SHALL SEND TO ITS POLI-
19 CYHOLDERS A COPY OF THE STATE STANDARDS OUTLINING THE MINIMUM
20 DUTIES OF INSURANCE AGENTS AND ADJUSTERS AT THE TIME OF APPLICA-
21 TION AND UPON NOTICE OF A LOSS.

22 SEC. 2775. A HOMEOWNER'S INSURER SHALL NOTIFY ITS POLICY-
23 HOLDER OR AN APPLICANT FOR INSURANCE WHENEVER INFORMATION IS
24 SHARED AMONG INSURERS ABOUT HIS OR HER INSURANCE RISK AND SHALL
25 BE PROVIDED WITH THE OPPORTUNITY TO RESPOND.

26 SEC. 2777. IF A HOMEOWNER'S INSURER CONDUCTS AN EXAMINATION
27 UNDER OATH, IT SHALL BE CONDUCTED IN ACCORDANCE WITH STATE LAWS

1 GOVERNING DEPOSITIONS AND RULES OF EVIDENCE. PRIOR TO THE
2 HOLDING OF AN EXAMINATION UNDER OATH, THE INSURER SHALL SERVE A
3 COPY OF THE FOLLOWING DISCLOSURE OF RIGHTS UPON THE POLICYHOLDER,
4 WHICH SHALL REQUIRE AN ACKNOWLEDGMENT SIGNATURE OF THE INSURED A
5 MINIMUM OF 3 DAYS PRIOR TO THE COMMENCEMENT OF AN EXAMINATION
6 UNDER OATH:

7 (A) AN INSURER MAY CONDUCT AN EXAMINATION UNDER OATH ONLY TO
8 OBTAIN INFORMATION THAT IS RELEVANT AND REASONABLY NECESSARY TO
9 PROCESS OR DETERMINE THE CLAIM.

10 (B) THE INSURED SHALL BE PROVIDED WITH NOTICE OF THE
11 INTENDED AREAS OF EXAMINATION REASONABLY IN ADVANCE OF THE
12 EXAMINATION.

13 (C) IN AN EXAMINATION UNDER OATH, AN INSURED MAY ASSERT ANY
14 OBJECTION THAT CAN BE MADE IN A DEPOSITION UNDER MICHIGAN LAW OR
15 FEDERAL CONSTITUTIONAL LAW.

16 (D) IN ORDER TO RESOLVE DISPUTES BETWEEN AN INSURER AND AN
17 INSURED CONCERNING AN EXAMINATION UNDER OATH, UPON APPLICATION BY
18 EITHER PARTY, A COURT OF COMPETENT JURISDICTION SHALL ISSUE AN
19 ORDER PROHIBITING OR LIMITING THE SCOPE OF AN EXAMINATION UNDER
20 OATH UNLESS THE INSURER CLEARLY ESTABLISHES THAT THE INFORMATION
21 SOUGHT IS NECESSARY TO PROCESS OR DETERMINE THE CLAIM AND IS NOT
22 UNREASONABLY BURDENSOME.

23 (E) THE INSURED HAS THE RIGHT TO BE REPRESENTED BY AN ATTOR-
24 NEY DURING THE EXAMINATION OR ANOTHER PERSON WHO IS NOT A PARTY
25 TO THE INSURANCE CONTRACT.

1 (F) THE INSURED HAS THE RIGHT TO HAVE THE EXAMINATION
2 CONDUCTED AT A REASONABLY CONVENIENT DATE, TIME, AND PLACE AND
3 FOR A REASONABLE AMOUNT OF TIME.

4 SEC. 2779. A HOMEOWNER'S RESIDENTIAL DWELLING INSURER AND
5 ITS AGENTS, REPRESENTATIVES, OR EMPLOYEES SHALL NOT MISREPRESENT
6 THE TERMS "REPLACEMENT", "GUARANTEED REPLACEMENT", "ACTUAL LOSS
7 SUSTAINED", OR "UNLIMITED" WHICH ARE NOT EQUAL TO OR GREATER THAN
8 THE WHOLE FINANCIAL AND MATERIAL VALUE PREVIOUSLY HELD BY THE
9 INSURED, FOR MARKETING PURPOSES. ANY TERM OR TERMS CONTAINED
10 WITHIN THE POLICIES THAT ARE NOT SELF-EXPLANATORY OR CLEARLY
11 DEFINED WITHOUT ANY POSSIBILITY OF MORE THAN 1, AND ONLY 1, DEFINITION
12 SUBJECTS THE INSURER TO LOCAL, STATE, OR FEDERAL CIVIL AND
13 CRIMINAL PROSECUTION FOR FRAUD OR INTENT TO COMMIT FRAUD.

14 SEC. 2781. THE COMMISSIONER SHALL ESTABLISH A TASK FORCE TO
15 REVIEW AND PROPOSE AMENDMENTS TO THE EXISTING STANDARD FIRE
16 INSURANCE CONTRACT SPECIFIED IN STATE LAW WHICH SHALL PROVIDE FOR
17 PROTECTION IN THE BEST INTEREST OF THE INSURED. THE TASK FORCE
18 SHALL PRESENT ITS RECOMMENDATIONS TO THE LEGISLATURE BY OCTOBER
19 1, 1999.

20 SEC. 2783. A HOMEOWNER'S INSURER SHALL NOT USE TERMS THAT
21 HAVE BROAD AND ALL-ENCOMPASSING MEANINGS INCLUDING, BUT NOT
22 LIMITED TO, "REPLACEMENT", "GUARANTEED REPLACEMENT", "ACTUAL LOSS
23 SUSTAINED", OR "UNLIMITED", UNLESS THE POLICY OF INSURANCE OR
24 ENDORSEMENTS PROVIDE THE SPECIFICALLY STATED COVERAGE, INCLUDING,
25 BUT NOT LIMITED TO, CONFORMANCE COVERAGE OR ANY OTHER COVERAGE
26 NECESSARY TO EFFECTUATE A CERTIFICATE OF OCCUPANCY AND EQUAL TO

1 OR GREATER THAN THE WHOLE FINANCIAL AND MATERIAL VALUE PREVIOUSLY
2 HELD BY THE INSURED.

3 SEC. 2785. HOMEOWNER POLICIES AND ENDORSEMENTS SHALL BE
4 WRITTEN IN SIMPLIFIED LANGUAGE WHICH SHALL BE CLEAR, CONCISE, AND
5 UNAMBIGUOUS AT THE SIXTH GRADE READING LEVEL.

6 SEC. 2787. A HOMEOWNER'S INSURER AND ITS INSURANCE AGENTS,
7 ADJUSTERS, AND EMPLOYEES HAVE A DUTY TO DISCLOSE TO THE POLICY-
8 HOLDER AT THE TIME OF APPLICATION FOR INSURANCE AND SUBSEQUENT
9 THERETO.

10 SEC. 2789. THE COMMISSIONER SHALL DEVELOP A SIMPLE, UNIFORM
11 FORMAT FOR DECLARATION PAGES FOR HOMEOWNER POLICIES AND
12 ENDORSEMENTS. THE DECLARATION PAGE SHALL BE NO MORE THAN 1 PAGE
13 AND SHALL CLEARLY SHOW THE KEY COVERAGES WHICH SHALL INCLUDE THE
14 FOLLOWING LIMITS OF LIABILITY: ADDITIONAL LIVING EXPENSES COVER-
15 AGE, LIABILITY COVERAGE, AND LOSS ASSESSMENT COVERAGE REGARDING
16 INDIVIDUALLY OWNED RESIDENTIAL PROPERTIES, AS SPECIFIED, AND THE
17 SAME SHALL BE INDIVIDUALIZED FOR EACH POLICYHOLDER. THE DECLARA-
18 TION PAGE SHALL ALSO DETAIL ANY LIMITS ON THE POLICY, INCLUDING
19 BUT NOT LIMITED TO THE SUBTRACTION, IF ANY, OF ADDITIONAL LIVING
20 EXPENSES FROM THE PERSONAL PROPERTY LIMIT OF INSURANCE.

21 SEC. 2791. AN INSURED COVERED BY A VALUED POLICY SHALL
22 RECEIVE THE REPLACEMENT VALUE OF THE LOSS OR THE FACE AMOUNT OF
23 THE POLICY IF A LOSS IS NOT REBUILT OR REPLACED, AS SPECIFIED ON
24 THE POLICY AND ENDORSEMENTS.

25 SEC. 2793. A HOMEOWNER'S INSURER SHALL NOT REQUIRE ITS POL-
26 ICYHOLDERS TO SUBMIT UNREASONABLE OR UNNECESSARILY BURDENSOME
27 DOCUMENTS OR OTHER INFORMATION TO SUPPORT A CLAIM.

1 SEC. 2795. AN INSURED UNDER A HOMEOWNER'S POLICY SHALL HAVE
2 NOT LESS THAN 9 MONTHS AFTER COMPLETING THE REPLACEMENT OF THEIR
3 DWELLING TO REPLACE PERSONAL PROPERTY.

4 SEC. 2797. THE COMMISSIONER SHALL ISSUE EMERGENCY REGULA-
5 TIONS THAT SUSPEND THE REQUIREMENT OF POLICYHOLDERS TO SUBMIT
6 DETAILED LISTINGS OF PERSONAL PROPERTY AND VALUES IF A MAJOR
7 DISASTER HAS BEEN DECLARED AND THE POLICYHOLDER CONSENTS, IN
8 WRITING, TO REIMBURSEMENT AT AN AVERAGE CONTENTS-LOSS LEVEL. THE
9 INSURER SHALL BE REQUIRED TO PRESENT AN AGREEMENT, FOR WRITTEN
10 APPROVAL BY THE INSURED, FOR REIMBURSEMENT AT AN AVERAGE
11 CONTENTS-LOSS LEVEL, AT THE TIME OF THE DECLARATION OF A MAJOR
12 DISASTER.

13 SEC. 2799. AN INSURED UNDER A HOMEOWNER'S POLICY MAY SEEK
14 RECOVERY AGAINST THE INSURER FOR PUNITIVE DAMAGES AND ACTUAL
15 ATTORNEY FEES AND COURT COSTS IF THE INSURER OR ITS AGENTS,
16 EMPLOYEES, OR REPRESENTATIVES ACTS IN BAD FAITH AT THE TIME OF
17 APPLICATION OR DURING THE PROCESSING OF A CLAIM.

18 SEC. 2801. A HOMEOWNER'S INSURER SHALL NOT DENY A CLAIM, IN
19 WHOLE OR IN PART, BASED UPON INDEPENDENTLY OBTAINED EVIDENCE OF
20 THE COMMISSION OF ANY CRIME, UNLESS AND UNTIL THE INSURER INITI-
21 ATES CRIMINAL PROSECUTION THROUGH LOCAL, STATE, OR FEDERAL
22 AUTHORITIES; OTHERWISE SUCH A DENIAL SHALL BE AUTOMATICALLY CON-
23 SIDERED BAD FAITH.

24 SEC. 2803. A POLICYHOLDER MAY, AT HIS OR HER OPTION,
25 PRESENT DETAILED CONSTRUCTION BIDS FOR THE REPAIR OR REPLACEMENT
26 OF THE STRUCTURE TO ENSURE THAT REASONABLE BIDS TO REPAIR OR
27 REPLACE ARE CONSIDERED FOR ACCEPTANCE AND APPROVAL.

1 SEC. 2805. A POLICYHOLDER MAY, AT HIS OR HER OPTION, SUBMIT
2 REPLACEMENT COST STATEMENTS FOR PERSONAL PROPERTY FROM MANUFAC-
3 TURERS, RESTORERS, RETAILERS, OR SUPPLIERS WHICH SHALL ENTITLE
4 THE POLICYHOLDER TO RECEIVE PAYMENT FOR PERSONAL PROPERTY, WITH-
5 OUT INTENT TO KEEP OR IN THE ABSENCE OF THE ACT OF KEEPING, IF
6 THE POLICY DOES NOT CONTAIN SPECIFIC LANGUAGE REQUIRING SAME OF
7 THE POLICYHOLDER.

8 SEC. 2807. A HOMEOWNER'S INSURER THAT DENIES A CLAIM SHALL
9 SPECIFY IN WRITING, WITHIN 30 DAYS AFTER THE SUBMITTAL OF ANY
10 PROOF OF LOSS, THE REASON FOR DENIAL OF THE CLAIM.

11 SEC. 2809. A HOMEOWNER'S INSURER THAT DENIES OR DELAYS A
12 CLAIM SETTLEMENT THAT ARISES AS THE RESULT OF AN INTERPRETATION
13 OF POLICY LANGUAGE WHETHER OR NOT HELD OUT AS REASONABLE BY THE
14 INSURER, OR STATEMENTS, PROMISES, OR DESCRIPTIONS OF COVERAGE BY
15 AN AGENT OR REPRESENTATIVE, OR ACCUSATIONS OF CRIMINAL ACTIVITY
16 NOT SUBMITTED, SUPPORTED, OR PURSUED BY PROPER LOCAL, STATE, OR
17 FEDERAL AUTHORITIES, SHALL BE ORDERED BY THE COMMISSIONER TO PAY
18 TO THE INSURED AN AMOUNT THAT SHALL NOT BE LESS THAN 10% OR MORE
19 THAN 30% OF THE ENTIRE CLAIM, PLUS THE MAXIMUM AMOUNT OF INTEREST
20 ALLOWED BY LAW COMPUTED FROM THE DATE OF THE INCIDENT TO THE DATE
21 OF PAYMENT. IF AN INSURED HAS TO LITIGATE TO COLLECT THIS FINE,
22 ANY AND ALL COSTS INCURRED IN HAVING TO BRING THE ACTION SHALL
23 ALSO BE PAID BY THE INSURER AND SHALL BE IN ADDITION TO THE
24 FINE.

25 SEC. 2811. ALL HOMEOWNER'S POLICIES ARE SUBJECT TO AND
26 SHALL FOLLOW ALL LOCAL, STATE, AND FEDERAL LAWS OR ORDINANCES
27 REGULATING THE REPAIR OR REPLACEMENT OF INSURED PROPERTY.

1 Enacting section 1. This amendatory act takes effect
2 January 1, 1999.