

Legislative Analysis



PROPERTY & CASUALTY INSURERS: DUTY TO DEAL FAIRLY AND IN GOOD FAITH

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House Bill 5020

Sponsor: Rep. Mary Valentine

Committee: Insurance

Complete to 7-13-09

A SUMMARY OF HOUSE BILL 5020 AS INTRODUCED 5-28-09

The bill would specify that an insurance company obligated to pay benefits or claims under a property and casualty insurance policy "has a duty to deal fairly and in good faith with an insured individual claiming the benefits." An insurance company that breaches this duty is liable for compensatory, consequential, and exemplary damages proximately caused by the breach.

The bill would amend Chapter 20 of the Insurance Code, which deals with unfair and prohibited trade practices and frauds. The portion of Chapter 20 being amended is referred to as the Uniform Trade Practices Act.

MCL 500.2203

FISCAL IMPACT:

The bill would have an indeterminate impact on the Office of Financial and Insurance Regulation. The office would likely be required to conduct additional investigations and otherwise respond to increased complaints from consumers alleging violations of the bill. These activities would likely be undertaken by the Consumer Services Division (Market Conduct Section) and the Office of General Counsel. The resulting increased activities may necessitate the hiring of additional investigators and OGC staff (generally subject to executive and legislative restrictions on hiring). No estimate is currently available on the impact on the office's activities, although any increased costs are supported by the Insurance Bureau Fund (an insurance regulatory assessment, based on the OFIR appropriation) and Insurance Licensing and Regulation Fees. Information concerning complaints against insurance companies is available through the OFIR consumer services website, [http://www.michigan.gov/dleg/0,1607,7-154-10555_12902---,00.html].

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