

Legislative Analysis



INSURANCE APPLICANT GIFTS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4071 as introduced
Sponsor: Rep. Brenda Carter
Committee: Insurance
Complete to 3-18-25

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

SUMMARY:

House Bill 4071 would amend the Insurance Code to modify the restrictions on gifts and other benefits that can be given to applicants for insurance by an insurance provider.

Currently, the act allows life insurers or insurance producers to give applicants for an insurance policy merchandise with an invoice value up to \$5. Property-casualty insurers or insurance producers are allowed to give applicants an article of merchandise with a cost of up to \$50 per calendar year. Other than these exceptions, insurers are generally prohibited from offering something of value to induce consumers to apply for an insurance policy. However, something of value can be provided if it is specified in the insurance contract.¹

The bill would also allow a life or property and casualty insurer offering insurance products to offer or provide value-added products or services, for free or at a discounted price, if the product or service relates to the insurance coverage and is primarily designed to satisfy one or more of the following objectives:

- Provide loss mitigation or loss control.
- Reduce claim costs or claim settlement costs.
- Provide education about liability risks or risk of loss to persons or property.
- Monitor or assess risk, identify sources of risk, or develop strategies for eliminating or reducing risk.
- Enhance health.
- Enhance financial wellness through items such as education or financial planning services.
- Provide post-loss services.
- Incentivize behavioral changes to improve the health or reduce the risk of death or disability of a customer.
- Assist in the administration of the employee or retiree benefit insurance coverage.

The cost of the product or service would need to be reasonable in comparison to that customer's premiums or insurance coverage for the policy class. In addition, the insurer or insurance producer would be required to provide the customer with contact information to assist them with questions regarding the product or service.

Finally, the bill would allow the director of the Department of Insurance and Financial Services (DIFS) to adopt rules under the Administrative Procedures Act to implement the legislation to

¹ Offering a gift or service is permitted if it is not contingent on the purchase of a policy:
<https://www.michigan.gov/difs/news-and-outreach/faq/insurance/ins-compensation-and-rebating/rebating>

ensure consumer protection, including rules, consistent with applicable law, that address consumer data protections, privacy and consumer disclosure, and unfair discrimination.

MCL 500.2025

BACKGROUND:

The bill is identical to House Bill 5694 of the 2023-24 legislative session as it was passed by the House.²

FISCAL IMPACT:

House Bill 4071 would not have a direct fiscal impact on any units of state or local government. However, section 150 of the Insurance Code provides for recourse and penalties in the event of a violation of the code. Under the provisions of that section, violators have the opportunity for an administrative hearing before the DIFS director, who may levy a civil fine of \$1,000 for each violation, or \$5,000 if the individual knew or reasonably should have known that they were violating the Insurance Code. Civil fine payments under the Insurance Code are capped at \$50,000, and any revenue collected must be deposited to the state's general fund. To the extent that violations of new provisions within the bill occur, additional general fund revenue may indirectly be realized and enforcement costs incurred.

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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.

² <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2024-HB-5694>