

House Bill 4096

Sponsor: Rep. Raymond Basham

**Committee: Insurance and Financial
Services**

Complete to 8-22-00

A SUMMARY OF HOUSE BILL 4096 AS INTRODUCED 1-28-99

The bill would amend Chapter 21 of the Insurance Code, which deals with the marketing of no-fault auto insurance and home insurance (including underwriting and rate making) to provide penalties the commissioner of the Office of Financial and Insurance Services could order when he or she found that a person or organization had violated a provision of the chapter or the rules promulgated under the chapter. The commissioner could order any or all of the following: payment of a civil fine of up to \$5,000 for each violation and, if the violation was willful, a civil fine of up to \$25,000 per violation; a cease and desist order; an order to comply; or a refund of any overcharges with interest and penalties. Fines would be credited to the General Fund. An order could not require the payment of civil fines exceeding \$50,000.

Also, the commissioner could suspend the authority of a rating organization or an insurance company to do business in the state for failure to comply with an order of the commissioner within the specified time (or any extension granted), but the suspension would not affect the validity or the continued effectiveness of the rates previously filed and effective. The suspension could not occur until the time prescribed for an appeal from the order had expired or, if an appeal had been taken, until the order for the suspension had been affirmed. The commissioner could determine when a suspension of authority was to become effective, and the suspension would remain in effect for that period unless the commissioner modified or rescinded the suspension or until the order upon which the suspension was based was modified, rescinded, or reversed.

A civil fine could not be imposed and the authority to do business could not be suspended or revoked except upon a written order of the commissioner, specifying the alleged violation and stating his or her findings, made after a hearing that was held upon at least ten days' written notice to the person or organization.

The commissioner would be required to report annually to the standing committees on insurance issues of the Senate and House of Representatives on the amount of fines collected.

[Note: The Insurance Code contains general penalty provisions in Section 150; these apply when no specific penalties are provided for a type of violation. That section allows the commissioner, following a hearing, and after reducing his or her findings and decision to writing, to issue a cease and desist order and to order the suspension, limitation, or revocation of a license or certificate of authority. The commissioner can also order civil fines of up to \$500 per violation or up to \$2,500 per violation if the person knew or reasonably should have known he or she was in violation. An order of the commissioner could not require the payment of civil fines exceeding

\$25,000. However, the knowing violation of a cease and desist order could result in a civil fine of up to \$10,000 per violation and the suspension, limitation, or revocation of a license.]

MCL 500.2140

Analyst: C. Couch

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