

Legislative Analysis



ALLOW PRIVATE CAUSES OF ACTION BY INSURED CHARGING RATING VIOLATIONS BY INSURERS

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House Bill 5480

Sponsor: Rep. Bert Johnson

Committee: Insurance

Complete to 4-30-08

A SUMMARY OF HOUSE BILL 5480 AS INTRODUCED 11-28-07

The bill would amend the Insurance Code in several sections to allow an insurance consumer (an "insured") to commence a civil action for violations of certain rate-setting provisions. The action charging a violation would be brought in the circuit court in which the insured resides or in Ingham County Circuit Court.

This applies in three sections where the Insurance Code establishes the following standard for insurance rates, including automobile and home insurance rates: "Rates shall not be excessive, inadequate, or unfairly discriminatory."

In further spelling out these criteria, the code currently says: "A rate shall not be held to be excessive unless the rate is unreasonably high for the insurance coverage provided and a reasonable degree of competition does not exist for the insurance to which the rate is applicable." House Bill 5480 would strike the underlined language. Accordingly, the bill would also strike various provisions that refer to a determination by the commissioner of the Office of Financial and Insurance Regulation (OFIR) as to whether a reasonable degree of competition exists.

MCL 500.2109, et al.

FISCAL IMPACT:

The bill would have an indeterminate impact on the judiciary, depending on the extent to which it would spur lawsuits, initially filed in circuit courts, concerning the excessiveness, inadequacy, or discriminatory nature of automobile and home insurance rates. The bill would have no significant impact on the Office of Financial and Insurance Regulation.

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