

Legislative Analysis



INSURANCE APPLICANT GIFTS

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House Bill 4071 (H-2) as reported from committee

Sponsor: Rep. Brenda Carter

Committee: Insurance

Complete to 4-23-25

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 or administering 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.

Customer would mean a policyholder, potential policy holder, certificate holder, potential certificate holder, insured, potential insured, or applicant.

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

¹ Offering a gift or service is allowed 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>

insurance producer would be required to provide the customer with contact information to assist them with questions regarding the product or service.

The bill would specify that a product or service provided under its provisions is not considered merchandise under sections 2024a and 2024b of the Insurance Code, which regulate gifts given to certain insurance applicants.

MCL 500.2025

BACKGROUND AND BRIEF DISCUSSION:

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

According to committee testimony, the bill is based on a National Association of Insurance Commissioners (NAIC) model law that has already been adopted in several other states.

Supporters of the bill argue that it will enable insurance companies to offer certain services to current customers that benefit both the insurer and the consumer. Some examples provided include health screenings and fire prevention services.

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.

POSITIONS:

A representative of Chubb Insurance testified in support of the bill (3-19-25).

Representatives of the following entities indicated support for the bill:

- Insurance Alliance of Michigan (4-16-25)
- National Association of Mutual Insurance Companies (3-19-25)
- Big I Michigan (3-19-25)
- Life Insurance Association of Michigan (4-16-25)
- John Hancock (3-19-25)

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

- American Council of Life Insurance (3-19-25)
- American Property Casualty Insurance Association (4-16-25)

The Department of Insurance and Financial Services indicated a neutral position on the bill. (4-16-25)

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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.