

# Legislative Analysis

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## INSURANCE: DUTY TO DEAL FAIRLY

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### House Bill 4998

Sponsor: Rep. Virgil Smith

Committee: Insurance

Complete to 4-24-08

## A SUMMARY OF HOUSE BILL 4998 AS INTRODUCED 6-28-07

The bill would amend the No-Fault Act within the Insurance Code to specify that an insurance company providing personal injury protection (PIP) benefits under an automobile policy "has a duty to deal fairly and in good faith with an injured person claiming benefits and that person's providers" (e.g., health care providers).

An insurer that breaches this duty, under the bill, would be liable for compensatory, consequential, economic, noneconomic, and exemplary damages proximately caused by the breach, and for the costs of litigation, including actual attorney fees.

Such a breach would include, but not be limited to, (1) a threat or act of intimidation against an injured person or provider with respect to the submission or payment of a claim under the act; (2) an act of retaliation against an injured person or provider for having asserted a right to make a claim; and (3) a statement or representation with respect to the submission of a claim, the payment of a claim, or the rights of an injured person or a provider, where that statement or representation was materially false and the insurer or its agents or representatives knew or should have known it was false.

[Personal injury protection, or PIP, coverage is a mandatory coverage under Michigan's No-Fault automobile insurance system. It covers, generally speaking, medical and rehabilitation costs, lost earnings, replacement for personal services, and survivor benefits. Michigan's system provides unlimited lifetime medical and rehabilitation benefits.]

MCL 500.3149

## FISCAL IMPACT:

The bill would have no apparent fiscal impact on the Office of Insurance and Financial Regulation (OFIR).

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