
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5344 (Substitute H-1 as reported without amendment)
Sponsor: Representative Samuel Buzz Thomas
House Committee: Insurance
Senate Committee: Financial Services

CONTENT

The bill would add to the Insurance Code a new section containing provisions parallel to those in Section 2845, which allows cities, villages, and townships to escrow a percentage of fire insurance proceeds until there is evidence that the damaged property has been or will be repaired or replaced, and to use the money to perform the work if certain requirements are met. Although Section 2845 applies when a claim is filed for a loss to insured real property due to fire or explosion, the new section would apply if a claim were filed due to fire, explosion, vandalism, malicious mischief, wind, hail, riot, or civil commotion. The new section would apply to a city, village, or township in a county with a population of 425,000 or more, and to a city, village, or township located in a county with a population under 425,000 if the city, village, or township had a population of at least 50,000.

A city, village, or township that met the population criteria could elect to apply the new section. In addition, a city, village, or township that met the population criteria and, on October 1, 1998, was on the Insurance Commissioner's list of local units applying Section 2845, would be automatically included unless it made a written request to be deleted.

The bill would require the Commissioner, by November 1, 1998, to prepare and distribute to all property insurers in this State new lists indicating which cities, villages, and townships were subject to the new section and which were subject to Section 2845. This provision would take effect on October 1, 1998. The balance of the bill would take effect on January 1, 1999.

Proposed MCL 500.2227

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State government.

The bill would allow local units to increase from 15% to 25% the insurance withholding to remove blighted property. The 25% insurance withholding would be limited to \$6,000 for residential property, which would be adjusted annually for inflation.

Date Completed: 5-29-98

Fiscal Analyst: R. Ross