

REPRINT

SUBSTITUTE FOR

HOUSE BILL NO. 5344

(As passed the House, February 26, 1998)

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
(MCL 500.100 to 500.8302) by adding section 2227.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 2227. (1) IF A CLAIM IS FILED FOR A LOSS TO INSURED
2 REAL PROPERTY DUE TO FIRE, EXPLOSION, VANDALISM, MALICIOUS MIS-
3 CHIEF, WIND, HAIL, RIOT, OR CIVIL COMMOTION AND A FINAL SETTLE-
4 MENT IS REACHED ON THE LOSS TO THE INSURED REAL PROPERTY, AN
5 INSURER SHALL WITHHOLD FROM PAYMENT 25% OF THE ACTUAL CASH VALUE
6 OF THE INSURED REAL PROPERTY AT THE TIME OF THE LOSS OR 25% OF
7 THE FINAL SETTLEMENT, WHICHEVER IS LESS. FOR RESIDENTIAL PROPER-
8 TY, THE 25% SETTLEMENT OR JUDGMENT WITHHELD SHALL NOT EXCEED
9 \$6,000.00 ADJUSTED ANNUALLY BEGINNING JUNE 1, 1999 IN ACCORDANCE
10 WITH THE CONSUMER PRICE INDEX. THE COMMISSIONER SHALL NOTIFY
11 ANNUALLY ALL INSURANCE COMPANIES TRANSACTING PROPERTY INSURANCE

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1 IN THIS STATE AS TO THE NEW ADJUSTED AMOUNT. AT THE TIME THAT
2 25% OF THE SETTLEMENT OR JUDGMENT IS WITHHELD, THE INSURER SHALL
3 GIVE NOTICE OF THE WITHHOLDING TO THE TREASURER OF THE CITY, VIL-
4 LAGE, OR TOWNSHIP IN WHICH THE INSURED REAL PROPERTY IS LOCATED,
5 TO THE INSURED, AND TO ANY MORTGAGEE HAVING AN EXISTING LIEN OR
6 LIENS AGAINST THE INSURED REAL PROPERTY, IF THE MORTGAGEE IS
7 NAMED ON THE POLICY. IN THE CASE OF A JUDGMENT, NOTICE SHALL
8 ALSO BE PROVIDED TO THE COURT IN WHICH JUDGMENT WAS ENTERED. THE
9 NOTICE SHALL INCLUDE ALL OF THE FOLLOWING:

10 (A) THE IDENTITY AND ADDRESS OF THE INSURER.

11 (B) THE NAME AND ADDRESS OR FORWARDING ADDRESS OF EACH POLI-
12 CYHOLDER, INCLUDING ANY MORTGAGEE.

13 (C) LOCATION OF THE INSURED REAL PROPERTY.

14 (D) THE DATE OF LOSS, POLICY NUMBER, AND CLAIM NUMBER.

15 (E) THE AMOUNT OF MONEY WITHHELD.

16 (F) A STATEMENT THAT THE CITY, VILLAGE, OR TOWNSHIP MAY HAVE
17 THE WITHHELD AMOUNT PAID INTO A TRUST OR ESCROW ACCOUNT ESTAB-
18 LISHED FOR THE PURPOSES OF THIS SECTION IF WITHIN 15 DAYS AFTER
19 THE MAILING OF THE NOTICE THE CITY, VILLAGE, OR TOWNSHIP STATES
20 THAT THE MONEY SHOULD BE WITHHELD TO PROTECT THE PUBLIC HEALTH
21 AND SAFETY; OTHERWISE, THE WITHHELD AMOUNT SHALL BE PAID TO THE
22 INSURED 15 DAYS AFTER THE MAILING OF THE NOTICE.

23 (G) AN EXPLANATION OF THE PROVISIONS OF THIS SECTION.

24 (2) IN ORDER FOR A CITY, VILLAGE, OR TOWNSHIP TO ESCROW THE
25 AMOUNT WITHHELD BY THE INSURER, AND TO RETAIN THAT AMOUNT, THE
26 FOLLOWING PROCEDURE SHALL BE USED:

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1 (A) AN AUTHORIZED REPRESENTATIVE OF THE CITY, VILLAGE, OR
2 TOWNSHIP SHALL REQUEST THE INSURER TO PAY THE WITHHELD AMOUNT
3 INTO AN ESCROW ACCOUNT MAINTAINED BY THE TREASURER OF THE CITY,
4 VILLAGE, OR TOWNSHIP. A FINAL SETTLEMENT THAT EXCEEDS 49% OF THE
5 INSURANCE ON THE INSURED REAL PROPERTY IS PRIMA FACIE EVIDENCE
6 THAT THE DAMAGED INSURED STRUCTURE VIOLATES EXISTING HEALTH AND
7 SAFETY STANDARDS OF THE CITY, VILLAGE, OR TOWNSHIP AND CONSTI-
8 TUTES CAUSE FOR THE ESCROWING OF THE WITHHELD AMOUNT AS SURETY
9 FOR THE REPAIR, REPLACEMENT, OR REMOVAL OF THE DAMAGED
10 STRUCTURE.

11 (B) IN THE CASE OF A SETTLEMENT, THE REQUEST UNDER
12 SUBDIVISION (A) SHALL BE SENT TO THE INSURER WITH A COPY TO THE
13 INSURED AND ANY MORTGAGEES. THE COPY TO THE INSURED SHALL CON-
14 TAIN THE NOTICE REQUIRED UNDER SUBDIVISION (D). UPON RECEIPT OF
15 THE REQUEST, THE INSURER SHALL FORWARD THE WITHHELD AMOUNT TO THE
16 TREASURER OF THE CITY, VILLAGE, OR TOWNSHIP, AND SHALL PROVIDE
17 NOTICE OF THE FORWARDING TO THE INSURED AND ANY MORTGAGEES.

18 (C) IN THE CASE OF A JUDGMENT, THE REQUEST UNDER SUBDIVISION
19 (A) SHALL BE SENT TO THE INSURER WITH A COPY TO THE INSURED, ANY
20 MORTGAGEES, AND THE COURT IN WHICH JUDGMENT WAS ENTERED. THE
21 COPY TO THE INSURED SHALL CONTAIN THE NOTICE REQUIRED UNDER
22 SUBDIVISION (D). UPON THE MOTION OF THE CITY, VILLAGE, OR TOWN-
23 SHIP, THE COURT SHALL ORDER THE WITHHELD AMOUNT TRANSMITTED TO
24 THE TREASURER OF THE CITY, VILLAGE, OR TOWNSHIP.

25 (D) THE CITY, VILLAGE, OR TOWNSHIP SHALL NOTIFY THE INSURED
26 THAT THE INSURED HAS 10 DAYS FROM THE DATE OF THE MAILING OF THE
27 NOTICE TO OBJECT TO THE CITY'S, VILLAGE'S, OR TOWNSHIP'S

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1 RETENTION OF THE WITHHELD AMOUNT. THE NOTICE SHALL IDENTIFY THE
2 AUTHORIZED REPRESENTATIVE OF THE CITY, VILLAGE, OR TOWNSHIP THAT
3 THE INSURED SHOULD ADDRESS HIS OR HER OBJECTIONS TO AND SHALL
4 STATE THAT THE INSURED MAY DO EITHER OF THE FOLLOWING:

5 (i) SEEK RESOLUTION WITH THE REPRESENTATIVE OF THE CITY,
6 VILLAGE, OR TOWNSHIP DESIGNATED TO RECEIVE AND RESOLVE OBJECTIONS
7 UNDER THIS SECTION. THE CITY, VILLAGE, OR TOWNSHIP SHALL MAKE A
8 FINAL DETERMINATION AND SHALL NOTIFY THE INSURED OF THAT DETERMI-
9 NATION NOT LATER THAN 30 DAYS AFTER RECEIPT OF NOTICE THAT THE
10 INSURED WISHES TO SEEK RESOLUTION UNDER THIS SUBPARAGRAPH. THIS
11 FINAL DETERMINATION SHALL INCLUDE NOTICE TO THE INSURED THAT IF
12 THE INSURED IS STILL DISSATISFIED WITH THE CITY'S, VILLAGE'S, OR
13 TOWNSHIP'S DETERMINATION, THE INSURED MAY SEEK RELIEF IN CIRCUIT
14 COURT.

15 (ii) SEEK RELIEF IN THE CIRCUIT COURT.

16 (3) UPON RECEIPT OF MONEY AND INFORMATION FROM AN INSURER AS
17 PRESCRIBED IN SUBSECTIONS (1) AND (2), THE LOCAL TREASURER SHALL
18 RECORD THE INFORMATION AND THE DATE OF RECEIPT OF THE MONEY AND
19 SHALL IMMEDIATELY DEPOSIT THE MONEY IN A TRUST OR ESCROW ACCOUNT
20 ESTABLISHED FOR THE PURPOSES OF THIS SECTION. THE ACCOUNT MAY BE
21 INTEREST-BEARING. IF THE MORTGAGE ON THE INSURED PROPERTY IS IN
22 DEFAULT, THE TREASURER OF THE CITY, VILLAGE, OR TOWNSHIP, UPON
23 WRITTEN REQUEST FROM A FIRST MORTGAGEE OF PROPERTY WITH RESPECT
24 TO WHICH POLICY PROCEEDS WERE WITHHELD AND PLACED INTO A TRUST OR
25 ESCROW ACCOUNT UNDER SUBSECTIONS (1) AND (2) AND THIS SUBSECTION,
26 SHALL RELEASE TO THE MORTGAGEE ALL OR ANY PART OF THE POLICY
27 PROCEEDS RECEIVED BY THE CITY, VILLAGE, OR TOWNSHIP WITH RESPECT

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1 TO THAT PROPERTY, NOT LATER THAN 10 DAYS AFTER RECEIPT OF THE
2 WRITTEN REQUEST BY THE MORTGAGEE, TO THE EXTENT NECESSARY TO SAT-
3 ISFY ANY OUTSTANDING LIEN OF THE MORTGAGEE.

4 (4) EXCEPT AS PROVIDED IN SUBSECTION (7), MONEY DEPOSITED IN
5 AN ACCOUNT PURSUANT TO SUBSECTION (3) SHALL NOT BE COMMINGLED
6 WITH CITY, VILLAGE, OR TOWNSHIP FUNDS. ANY INTEREST EARNED ON
7 MONEY PLACED IN A TRUST OR ESCROW ACCOUNT SHALL BE RETAINED BY
8 THE CITY, VILLAGE, OR TOWNSHIP TO DEFRAY EXPENSES INCURRED UNDER
9 THIS SECTION.

10 (5) EXCEPT AS PROVIDED IN SUBDIVISION (C), THE POLICY PRO-
11 CEEDS DEPOSITED UNDER SUBSECTION (3) SHALL IMMEDIATELY BE FOR-
12 WARDED TO THE INSURED WHEN THE AUTHORIZED REPRESENTATIVE OF THE
13 CITY, VILLAGE, OR TOWNSHIP DESIGNATED BY THE GOVERNING BODY OF
14 THE CITY, VILLAGE, OR TOWNSHIP RECEIVES OR IS SHOWN REASONABLE
15 PROOF OF ANY OF THE FOLLOWING:

16 (A) THAT THE DAMAGED OR DESTROYED PORTIONS OF THE INSURED
17 STRUCTURE HAVE BEEN REPAIRED OR REPLACED, EXCEPT TO THE EXTENT
18 THAT THE AMOUNT WITHHELD UNDER THIS SUBSECTION IS NEEDED TO COM-
19 PLETE REPAIR OR REPLACEMENT.

20 (B) THAT THE DAMAGED OR DESTROYED STRUCTURE AND ALL REMNANTS
21 OF THE STRUCTURE HAVE BEEN REMOVED FROM THE LAND ON WHICH THE
22 STRUCTURE OR THE REMNANTS OF THE STRUCTURE WERE SITUATED, IN COM-
23 PLIANCE WITH THE LOCAL CODE REQUIREMENTS OF THE CITY, VILLAGE, OR
24 TOWNSHIP IN WHICH THE STRUCTURE WAS LOCATED.

25 (C) THAT THE INSURED HAS ENTERED INTO A CONTRACT TO PERFORM
26 REPAIR, REPLACEMENT, OR REMOVAL SERVICES FOR THE INSURED REAL
27 PROPERTY AND THAT THE INSURED CONSENTS TO PAYMENT OF FUNDS

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1 DIRECTLY TO THE LICENSED CONTRACTOR PERFORMING THE SERVICES UPON
2 COMPLETION. FUNDS RELEASED UNDER THIS SUBDIVISION MAY BE FOR-
3 WARDED ONLY TO A LICENSED CONTRACTOR PERFORMING SERVICES ON THE
4 INSURED PROPERTY.

5 (6) REASONABLE PROOF REQUIRED UNDER SUBSECTION (5) INCLUDES
6 ANY OF THE FOLLOWING:

7 (A) ORIGINALS OR COPIES OF PERTINENT VERIFIABLE CONTRACTS,
8 INVOICES, RECEIPTS, AND OTHER SIMILAR PAPERS EVIDENCING BOTH THE
9 WORK PERFORMED OR TO BE PERFORMED AND THE MATERIALS USED OR TO BE
10 USED BY ALL CONTRACTORS PERFORMING REPAIR, REPLACEMENT, OR
11 REMOVAL SERVICES WITH RESPECT TO THE INSURED REAL PROPERTY, OTHER
12 THAN A LICENSED CONTRACTOR SUBJECT TO SUBDIVISION (B).

13 (B) AN AFFIDAVIT EXECUTED BY THE LICENSED CONTRACTOR THAT
14 HAS PERFORMED THE GREATEST AMOUNT OF REPAIR OR REPLACEMENT WORK
15 ON THE STRUCTURE, OR THAT HAS DONE MOST OF THE CLEARING AND
16 REMOVAL WORK IF STRUCTURE REPAIR OR REPLACEMENT IS NOT TO BE
17 PERFORMED. THE LICENSED CONTRACTOR SHALL ATTACH TO THE AFFIDAVIT
18 ALL PERTINENT CONTRACTS, INVOICES, AND RECEIPTS AND SHALL SWEAR
19 THAT THESE ATTACHED PAPERS CORRECTLY INDICATE THE NATURE AND
20 EXTENT OF THE WORK PERFORMED TO DATE BY THE LICENSED CONTRACTOR
21 AND THE MATERIALS USED.

22 (C) AN INSPECTION OF THE INSURED REAL PROPERTY TO VERIFY
23 THAT REPAIR, REPLACEMENT, OR CLEARING HAS BEEN COMPLETED IN
24 ACCORDANCE WITH SUBSECTION (5).

25 (7) IF WITH RESPECT TO A LOSS, REASONABLE PROOF IS NOT
26 RECEIVED BY OR SHOWN TO AN AUTHORIZED REPRESENTATIVE OF THE CITY,
27 VILLAGE, OR TOWNSHIP DESIGNATED BY THE GOVERNING BODY OF THE

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1 CITY, VILLAGE, OR TOWNSHIP WITHIN 120 DAYS AFTER THE POLICY
2 PROCEEDS PORTION WAS RECEIVED BY THE TREASURER, THE CITY, VIL-
3 LAGE, OR TOWNSHIP SHALL USE THE RETAINED PROCEEDS TO SECURE,
4 REPAIR, OR DEMOLISH THE DAMAGED OR DESTROYED STRUCTURE AND CLEAR
5 THE PROPERTY IN QUESTION, SO THAT THE STRUCTURE AND PROPERTY ARE
6 IN COMPLIANCE WITH LOCAL CODE REQUIREMENTS AND APPLICABLE ORDI-
7 NANCES OF THE CITY, VILLAGE, OR TOWNSHIP. ANY UNUSED PORTION OF
8 THE RETAINED PROCEEDS SHALL BE RETURNED TO THE INSURED. THE
9 CITY, VILLAGE, OR TOWNSHIP MAY EXTEND THE 120-DAY TIME PERIOD
10 LISTED IN THIS SUBSECTION.

11 (8) THERE IS NO LIABILITY ON THE PART OF, AND A CAUSE OF
12 ACTION DOES NOT ARISE AGAINST, AN INSURER OR AN AGENT OR EMPLOYEE
13 OF AN INSURER FOR WITHHOLDING OR TRANSFERRING MONEY IN THE COURSE
14 OF COMPLYING OR ATTEMPTING TO COMPLY WITH THIS SECTION. IF THERE
15 IS A DISPUTE WITH A LIENHOLDER CONCERNING THE DISTRIBUTION OF AN
16 AMOUNT WITHHELD FROM PAYMENT UNDER THIS SECTION, THE INSURER MAY
17 FILE AN ACTION IN CIRCUIT COURT TO IDENTIFY ALL PARTIES THAT MAY
18 HAVE A FINANCIAL INTEREST IN THE WITHHELD AMOUNT AND TO DETERMINE
19 HOW THE WITHHELD AMOUNT SHOULD BE DISTRIBUTED.

20 (9) THIS SECTION APPLIES ONLY TO PROPERTY LOCATED IN A CITY,
21 VILLAGE, OR TOWNSHIP DESCRIBED IN SUBSECTION (12) IF THE CITY,
22 VILLAGE, OR TOWNSHIP PURSUANT TO A RESOLUTION BY ITS GOVERNING
23 BODY NOTIFIES THE COMMISSIONER IN WRITING THAT THE CITY, VILLAGE,
24 OR TOWNSHIP HAS ESTABLISHED A TRUST OR ESCROW ACCOUNT TO BE USED
25 AS PRESCRIBED IN THIS SECTION AND INTENDS TO UNIFORMLY APPLY THIS
26 SECTION WITH RESPECT TO ALL PROPERTY LOCATED WITHIN THE CITY,
27 VILLAGE, OR TOWNSHIP FOLLOWING WRITTEN NOTIFICATION TO THE

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1 COMMISSIONER. THE COMMISSIONER SHALL PREPARE AND DISTRIBUTE A
2 LIST OF ALL CITIES, VILLAGES, AND TOWNSHIPS THAT HAVE ELECTED TO
3 APPLY THIS SECTION TO ALL INSURANCE COMPANIES TRANSACTING PROP-
4 ERTY INSURANCE IN THIS STATE.

5 (10) A CITY, VILLAGE, OR TOWNSHIP MAY APPLY TO BE ADDED TO
6 THE LIST BY MAKING A WRITTEN REQUEST FOR ADDITION TO THE
7 COMMISSIONER. WHEN A WRITTEN REQUEST FOR ADDITION FROM A CITY,
8 VILLAGE, OR TOWNSHIP HAS BEEN RECEIVED BY THE COMMISSIONER, AN
9 AMENDED LIST SHALL BE PREPARED AND DISTRIBUTED INDICATING THE
10 ADDITION. THE ADDITION SHALL BE EFFECTIVE ON THE DATE SPECIFIED
11 BY THE COMMISSIONER IN THE AMENDMENT. THE COMMISSIONER SHALL
12 NOTIFY THE CITY, VILLAGE, TOWNSHIP, AND INSURANCE COMPANIES OF
13 THE EFFECTIVE DATE OF THE ADDITION WHICH SHALL BE EFFECTIVE NOT
14 LESS THAN 30 DAYS AFTER RECEIPT OF NOTICE BY THE INSURANCE
15 COMPANY. A CITY, VILLAGE, OR TOWNSHIP SHALL NOT APPLY THIS SEC-
16 TION TO ANY LOSS THAT OCCURRED BEFORE THE EFFECTIVE DATE OF THE
17 ADDITION.

18 (11) A CITY, VILLAGE, OR TOWNSHIP MAY REQUEST TO BE DELETED
19 FROM THE LIST OR MAY CEASE TO APPLY THIS SECTION FOR A PERIOD OF
20 NOT LESS THAN 6 MONTHS UPON NOT LESS THAN 30 DAYS' WRITTEN NOTICE
21 TO THE COMMISSIONER. AFTER RECEIPT OF A REQUEST TO BE DELETED
22 FROM THE LIST, THE COMMISSIONER SHALL PREPARE AND DISTRIBUTE AN
23 AMENDMENT TO THE LIST INDICATING THE DELETION. THE DELETION
24 SHALL BE EFFECTIVE ON THE DATE SPECIFIED BY THE COMMISSIONER IN
25 THE AMENDMENT. THE COMMISSIONER SHALL NOTIFY THE CITY, VILLAGE,
26 TOWNSHIP, AND INSURANCE COMPANIES OF THE EFFECTIVE DATE OF THE
27 DELETION WHICH SHALL BE EFFECTIVE NOT LESS THAN 30 DAYS AFTER

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1 RECEIPT OF THE NOTICE BY THE INSURANCE COMPANY. A CITY, VILLAGE,
2 OR TOWNSHIP SHALL CONTINUE TO APPLY THIS SECTION TO ANY LOSS THAT
3 OCCURRED BEFORE THE EFFECTIVE DATE OF THE DELETION, NOTWITHSTAND-
4 ING THE DELETION.

5 (12) THIS SECTION APPLIES ONLY TO INSURED REAL PROPERTY
6 LOCATED IN CITIES, VILLAGES, AND TOWNSHIPS THAT ARE LOCATED IN
7 COUNTIES WITH A POPULATION OF 425,000 OR MORE AND TO INSURED REAL
8 PROPERTY LOCATED IN CITIES, VILLAGES, AND TOWNSHIPS THAT ARE
9 LOCATED IN COUNTIES WITH A POPULATION OF LESS THAN 425,000 IF THE
10 CITY, VILLAGE, OR TOWNSHIP HAS A POPULATION OF 50,000 OR MORE.
11 THIS SECTION APPLIES TO INSURED REAL PROPERTY LOCATED IN A CITY,
12 VILLAGE, OR TOWNSHIP THAT HAS ELECTED TO APPLY THIS SECTION AS
13 PROVIDED IN SUBSECTION (9) OR (10) OR THAT HAS BEEN INCLUDED IN
14 THIS SECTION AS PROVIDED IN SUBSECTION (13).

15 (13) CITIES, VILLAGES, AND TOWNSHIPS LOCATED IN COUNTIES
16 WITH A POPULATION OF 425,000 OR MORE AND CITIES, VILLAGES, AND
17 TOWNSHIPS THAT ARE LOCATED IN COUNTIES WITH A POPULATION OF LESS
18 THAN 425,000 IF THE CITY, VILLAGE, OR TOWNSHIP HAS A POPULATION
19 OF 50,000 OR MORE AND THAT ARE ON THE LIST PREPARED BY THE COM-
20 MISSIONER UNDER SECTION 2845(9) OR (10) ON OCTOBER 1, 1998 ARE
21 AUTOMATICALLY INCLUDED AS PARTICIPANTS IN THE PROCEDURE ESTAB-
22 LISHED IN THIS SECTION UNLESS THE CITY, VILLAGE, OR TOWNSHIP
23 MAKES A WRITTEN REQUEST TO BE DELETED PURSUANT TO SUBSECTION
24 (11).

25 (14) THE COMMISSIONER SHALL PREPARE AND DISTRIBUTE TO ALL
26 INSURANCE COMPANIES TRANSACTING PROPERTY INSURANCE IN THIS STATE
27 BY NOVEMBER 1, 1998 NEW LISTS INDICATING WHICH CITIES, VILLAGES,

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1 AND TOWNSHIPS ARE SUBJECT TO THIS SECTION AND WHICH CITIES,
2 VILLAGES, AND TOWNSHIPS ARE SUBJECT TO SECTION 2845.

3 (15) THE WITHHOLDING REQUIREMENTS OF THIS SECTION DO NOT
4 APPLY IF ALL OF THE FOLLOWING OCCUR:

5 (A) WITHIN 15 DAYS AFTER AGREEMENT ON A FINAL SETTLEMENT
6 BETWEEN THE INSURED AND THE INSURER, THE INSURED HAS FILED WITH
7 THE INSURER EVIDENCE OF A CONTRACT TO REPAIR AS DESCRIBED IN SUB-
8 SECTION (6).

9 (B) THE INSURED CONSENTS TO THE PAYMENT OF FUNDS DIRECTLY TO
10 THE LICENSED CONTRACTOR PERFORMING THE REPAIR SERVICES. FUNDS
11 RELEASED UNDER THIS SUBDIVISION MAY BE FORWARDED ONLY TO A
12 LICENSED CONTRACTOR PERFORMING THE REPAIR SERVICES ON THE INSURED
13 PROPERTY.

14 (C) ON RECEIPT OF THE CONTRACT TO REPAIR, THE INSURER GIVES
15 NOTICE TO THE CITY, VILLAGE, OR TOWNSHIP IN WHICH THE PROPERTY IS
16 SITUATED THAT THERE WILL NOT BE A WITHHOLDING UNDER THIS SECTION
17 BECAUSE OF THE REPAIR CONTRACT.

18 (16) IF THE INSURED AND THE INSURER HAVE AGREED ON THE DEMO-
19 LITION COSTS OR THE DEBRIS REMOVAL COSTS AS PART OF THE FINAL
20 SETTLEMENT OF THE REAL PROPERTY INSURED CLAIM, THE INSURER SHALL
21 WITHHOLD 1 OF THE FOLLOWING SUMS, WHICHEVER SUM IS THE LARGEST,
22 AND SHALL PAY THAT SUM IN ACCORDANCE WITH THIS SECTION:

23 (A) THE AGREED COST OF DEMOLITION OR DEBRIS REMOVAL.

24 (B) TWENTY-FIVE PERCENT OF THE ACTUAL CASH VALUE OF THE
25 INSURED REAL PROPERTY AT THE TIME OF LOSS SO LONG AS THIS AMOUNT
26 FOR RESIDENTIAL PROPERTY DOES NOT EXCEED \$6,000.00 ADJUSTED

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1 ANNUALLY BEGINNING JUNE 1, 1999 IN ACCORDANCE WITH THE CONSUMER
2 PRICE INDEX.

3 (C) TWENTY-FIVE PERCENT OF THE FINAL SETTLEMENT OF THE
4 INSURED REAL PROPERTY CLAIM SO LONG AS THIS AMOUNT FOR RESIDEN-
5 TIAL PROPERTY DOES NOT EXCEED \$6,000.00 ADJUSTED ANNUALLY BEGIN-
6 NING JUNE 1, 1999 IN ACCORDANCE WITH THE CONSUMER PRICE INDEX.

7 (17) THIS SECTION APPLIES ONLY TO FINAL SETTLEMENTS THAT
8 EXCEED 49% OF THE INSURANCE ON THE INSURED REAL PROPERTY.

9 (18) IF AN INSURER WITHHOLDS PAYMENT UNDER A POLICY IN GOOD
10 FAITH BECAUSE OF SUSPECTED ARSON, FRAUD, OR OTHER QUESTION CON-
11 CERNING COVERAGE, THIS SECTION DOES NOT APPLY UNTIL THE ISSUE OR
12 QUESTION IS RESOLVED AND FINAL SETTLEMENT IS MADE.

13 (19) AS USED IN THIS SECTION:

14 (A) "CONSUMER PRICE INDEX" MEANS THAT TERM AS DEFINED IN
15 SECTION 2080.

16 (B) "FINAL SETTLEMENT" MEANS A DETERMINATION OF THE AMOUNT
17 DUE AND OWING TO THE INSURED FOR A LOSS TO INSURED REAL PROPERTY,
18 BUT DOES NOT INCLUDE CONTENTS DAMAGE, LOSSES TO PERSONAL PROPER-
19 TY, OR ADDITIONAL COVERAGE NOT CONTAINED IN THE BUILDING COVERAGE
20 PORTION OF THE FIRE INSURANCE POLICY, WHICH DETERMINATION IS MADE
21 BY ANY OF THE FOLLOWING MEANS:

22 (i) ACCEPTANCE OF A PROOF OF LOSS BY THE INSURER.

23 (ii) EXECUTION OF A RELEASE BY THE INSURED.

24 (iii) ACCEPTANCE OF AN ARBITRATION AWARD BY BOTH THE INSURED
25 AND THE INSURER.

26 (iv) JUDGMENT OF A COURT OF COMPETENT JURISDICTION.

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1 (C) "HOME INSURANCE" MEANS THAT TERM AS DEFINED IN SECTION
2 2103.

3 (D) "RESIDENTIAL PROPERTY" MEANS PROPERTY ON WHICH HOME
4 INSURANCE CAN BE ISSUED.

5 Enacting section 1. (1) Section 2227(1), (2), (3), (4),
6 (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16),
7 (17), (18), and (19) of the insurance code of 1956, 1956 PA 218,
8 MCL 500.2227, as added by this amendatory act, take effect
9 January 1, 1999 and apply to any loss that occurs on and after
10 January 1, 1999.

11 (2) Section 2227(14) of the insurance code of 1956, 1956 PA
12 218, MCL 500.2227, as added by this amendatory act, takes effect
13 October 1, 1998.