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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS  
COMMISSIONER

### BILL ANALYSIS

**BILL NUMBER:** House Bill 4846 (as introduced)

**TOPIC:** Increase penalties for violations of prohibited trade practices

**SPONSOR:** Representative Slezak

**CO-SPONSORS:** Representatives Haase, Kandrevas, Haugh, Scripps, Barnett, Slavens, Switalski, Young, Durhal, Miller, Nathan, Liss and Womack

**COMMITTEE:** Insurance Committee

**DATE:** July 9, 2009

#### POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

#### PROBLEM/BACKGROUND

Section 2038 of the Insurance Code is being amended by this legislation. This section has not been updated since April 1, 1977.

#### DESCRIPTION OF BILL

House Bill 4846 doubles the monetary penalty amounts for engaging in methods of competition or unfair or deceptive acts or practices prohibited by Sections 2001 to 2050 that constitute the Uniform Trade Practices Act.

#### SUMMARY OF ARGUMENTS

##### **Pro**

The penalties for violations of unfair or deceptive acts or practices have remained the same for the past 32 years. They should be updated to allow for penalty amounts that are more appropriate relative to the current value of money and to serve as a stronger deterrent from these activities.

**Con**

None known.

**FISCAL/ECONOMIC IMACT**

OFIR has identified the following revenue or budgetary implications in the bill:

- (a) To the Office of Financial and Insurance Regulation:

Budgetary: None

Revenue: None

Comments:

- (b) To the Department of Energy, Labor & Economic Growth:

Budgetary: None

Revenue: None

Comments:

- (c) To the State of Michigan

Budgetary: None

Revenue: When the attorney general brings suit and recovers on behalf of the residents of the State of Michigan, the monetary penalties will be remitted to the Michigan Department of Treasury; this will increase state revenues.

Comments:

- (d) To Local Governments within this State:

Budgetary: None

Revenue: When the prosecuting attorney of a county brings suit and recovers for violations in the county in which the insurer or the agent or agents are operating, penalties will be paid to the treasurer of that county, thereby increasing its revenues.

Comments:

**OTHER STATE DEPARTMENTS**

The Michigan Department of Treasury will have to process the penalty remittance payments. The Office of Attorney General may bring suit for recovery for violations under Chapter 20 of the Michigan Insurance Code.

**ANY OTHER PERTINENT INFORMATION**

None

**ADMINISTRATIVE RULES IMPACT**

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code of 1956, 1956 PA 218.



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Ken Ross  
Commissioner

7-10-09

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Date

