



Senate Fiscal Agency
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House Bill 5862 (Substitute S-1 as reported)
Sponsor: Representative Amanda Price
House Committee: Local Government
Senate Committee: Insurance

CONTENT

The bill would amend the Insurance Code to do the following:

- Increase the maximum amount that may be escrowed for local governments from insurance claims for residential property loss to \$12,000, adjusted January 1 of each year in accordance with the consumer price index.
- Allow a city, village, or township to use the retained insurance proceeds to offset any costs it incurred for demolishing property, provided certain conditions were met.
- Allow a city, village, or township to use the policy proceeds to pay a subsequent purchaser the cost of securing and repairing the property.
- Allow the insured to file a civil suit to recover the insurance proceeds within three years after the insurer provided notice of the withholding, or within one year after the bill's effective date, whichever was later.

The provisions described above apply to claims filed due to fire, explosion, vandalism, malicious mischief, wind, hail, riot, or a civil commotion in cities, villages, and townships in counties with a population of 425,000 or more, or cities, villages, and townships with a population of 50,000 or more in smaller counties. The provisions also apply to cities, villages, or townships with a population of less than 50,000 in counties with a population of less than 425,000, with respect to claims filed for loss as a result of fire or explosion.

MCL 500.102 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have no fiscal impact on the State, and a potentially positive fiscal impact on local units of government. The bill would raise the amount a local unit of government may hold in escrow from a residential insurance claim to ensure that a loss on a residential property is cleaned up properly. The bill would have a positive fiscal impact on local units of government in certain cases in which the current amount, which is about \$8,300, is insufficient, and the property owner does not use the remainder of the insurance claim to clear the lot. The increased amount could help a local unit avoid assuming the liability of a lot that was not properly cleared and was subsequently abandoned by its owner.

Date Completed: 12-17-14

Fiscal Analyst: Josh Sefton