



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

## BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 697 (as enrolled)  
Sponsor: Senator Rick Jones  
Senate Committee: Judiciary  
House Committee: Insurance

Date Completed: 1-11-17

**CONTENT**

**The bill would add Section 3011 to the Insurance Code to do the following:**

- **Require a person to submit a report to a designated fire or law enforcement agency if an insured building or other structure suffered loss or damage due to fire or explosion.**
- **Prohibit an insurer from making further payments on a claim of \$2,000 or more for loss or damage to insured property that was caused by fire or explosion if the insured failed or refused to submit the report within 21 days after receiving a demand for it.**
- **Provide that Section 3011 would apply only in a city, village, or township that met certain population requirements and opted to apply the proposed requirements.**
- **Require the Director of the Department of Insurance and Financial Services (DIFS) to prepare and distribute a list of all cities, villages, and townships that elected to apply Section 3011.**
- **Prescribe procedures for a city, village, or township to be added to, or deleted from, that list.**
- **Specify that an insurer would not be liable for withholding money in compliance with Section 3011.**

**Report & Payment of Claim**

An insurer of a building or other structure or of personal property located on real property would be prohibited from making any further payments to an insured on a claim of \$2,000 or more for loss or damage caused by fire or explosion to the insured building, other structure, or personal property if the insurer received written notice from the local fire or law enforcement authority in a participating city, village, or township that the insured failed or refused to submit a report within 21 days after receiving a written demand from the fire or law enforcement authority to provide the report. Payments to an insured that were withheld under Section 3011 could resume or commence if the insurer received a copy of the requested report signed by the insured or received notice that the signed report had been submitted to the fire or law enforcement authority.

If an insured building or other structure in a participating local unit suffered loss or damage caused by fire or explosion, the insured would have to submit to the fire or law enforcement authority designated by the city, village, or township a report prescribed by DIFS in conjunction with the Department of Licensing and Regulatory Affairs' Bureau of Fire Services that required information concerning the building or structure fire or explosion.

The bill specifies that an insurer or an agent or employee of an insurer would not be liable for damages for withholding money in compliance with Section 3011.

### Scope of Bill

Section 3011 would apply only if the fire or law enforcement authority responsible for investigating a fire or explosion were located in a city, village, or township that met the bill's population requirements (described below) and if the city, village, or township, acting under a resolution by its governing body, notified the DIFS Director in writing of both of the following:

- That the city, village, or township had elected to receive reports prepared under Section 3011.
- The name and address of the fire or law enforcement authority the city, village, or township designated to receive those reports.

A city, village, or township could elect to apply Section 3011 if it were located in a county with a population of at least 425,000 or, if located in a county with a lower population, the city, village, or township had a population of at least 50,000.

### List of Local Units

The DIFS Director would have to prepare a list of all cities, villages, and townships that elected to apply Section 3011 and distribute that list to all insurance companies transacting insurance in Michigan that provided coverage for loss by fire to buildings or other structures.

A city, village, or township could be added to the list by submitting to the Director a written request containing the required information. If the Director received such a request, he or she would have to prepare and distribute an amended list to insurers. The addition of a city, village, or township would be effective on the date specified by the Director in the amended list. The Director would have to notify the city, village, township, and insurers of the effective date of an addition, which would have to be at least 30 days after the insurance company received the notice.

A city, village, or township also could request to be deleted from the list or could cease to apply Section 3011 for a period of not less than six months on at least 30 days' written notice to the Director. After receiving a request to be deleted from the list, the Director would have to prepare and distribute an amendment to the list indicating the deletion. The deletion would be effective on the date specified by the Director in the amendment. The Director would have to notify the city, village, township, and insurers of the effective date of a deletion, which would have to be at least 30 days after the insurance company received the notice. A city, village, or township would have to continue to apply Section 3011 to any loss that occurred before the effective date of the deletion.

Proposed MCL 500.3011

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact at the local level, and would result in increased, although likely nominal, administrative burdens at the State level. Since DIFS would be responsible for maintaining a list of municipalities that opted in under the bill's provisions, the Department would see corresponding increased administrative burdens. The Department would need to update and distribute a revised list within 30 days of a request to make any addition or deletion to the list.

Fiscal Analyst: Michael Siracuse

S1516\sb697en

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.