

# Legislative Analysis



## INSURANCE APPLICANT GIFTS

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<http://www.house.mi.gov/hfa>

**House Bill 5694 (H-2) as passed by the House**  
**Sponsor: Rep. Brenda Carter**  
**Committee: Insurance and Financial Services**  
**Complete to 6-28-24**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5694 would amend the Insurance Code to modify the restrictions on gifts and other benefits that can be given to applicants for insurance by an insurance provider.

Currently, the act allows life insurers or insurance producers to give applicants for an insurance policy merchandise with an invoice value up to \$5. Property-casualty insurers or insurance producers are allowed to give applicants an article of merchandise with a cost of up to \$50 per calendar year. Other than these exceptions, insurers are generally prohibited from offering something of value to induce consumers to apply for an insurance policy. However, something of value can be provided if it is specified in the insurance contract.<sup>1</sup>

The bill would also allow a life or property and casualty insurer offering insurance products to offer or provide value-added products or services, for free or at a discounted price, if the product or service relates to the insurance coverage and is primarily designed to satisfy one or more of the following objectives:

- Provide loss mitigation or loss control.
- Reduce claim costs or claim settlement costs.
- Provide education about liability risks or risk of loss to persons or property.
- Monitor or assess risk, identify sources of risk, or develop strategies for eliminating or reducing risk.
- Enhance health.
- Enhance financial wellness through items such as education or financial planning services.
- Provide post-loss services.
- Incentivize behavioral changes to improve the health or reduce the risk of death or disability of a customer.
- Assist in the administration of the employee or retiree benefit insurance coverage.

The cost of the product or service would need to be reasonable in comparison to that customer's premiums or insurance coverage for the policy class. In addition, the insurer or insurance producer would be required to provide the customer with contact information to assist them with questions regarding the product or service.

Finally, the bill would allow the director of the Department of Insurance and Financial Services (DIFS) to adopt rules under the Administrative Procedures Act to implement the legislation to

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<sup>1</sup> Offering a gift or service is permitted if it is not contingent on the purchase of a policy:  
<https://www.michigan.gov/difs/news-and-outreach/faq/insurance/ins-compensation-and-rebating/rebating>

ensure consumer protection, including rules, consistent with applicable law, that address consumer data protections, privacy and consumer disclosure, and unfair discrimination.

MCL 500.2025

**BRIEF DISCUSSION:**

According to committee testimony, the bill is based on a National Association of Insurance Commissioners (NAIC) model law that has already been adopted in several other states.

Supporters of the bill argue that it will enable insurance companies to offer certain services to current customers that benefit both the insurer and the consumer. Some examples provided include health screenings and fire prevention services.

Some raised concerns that some of the information obtained from these services, such as health screenings, could be used against the consumer in the future.

**FISCAL IMPACT:**

House Bill 5694 would not have any appreciable fiscal impact on the Department of Insurance and Financial Services or on other units of state or local government.

**POSITIONS:**

Representatives of the following entities testified in support of the bill (5-16-24):

- John Hancock
- Chubb Insurance

The following entities indicated support for the bill (5-16-24):

- Insurance Alliance of Michigan
- Life Insurance Association of Michigan
- National Association of Mutual Insurance Companies

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.