

Andrews: Bills will hold unethical insurance companies accountable

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Thanks in part to the hard work of some organizations and advocacy groups, bad faith legislation designed to protect insurance policyholders has been introduced in the state Legislature to bring Michigan in line with the rest of the country.

The Michigan Insurance Policyholder Bill of Rights (SB 329 and HB 4681) would impose financial penalties on insurance companies that engage in fraud by denying or delaying payment of claims without a reasonable basis. This legislation would be a vital first step to undoing some of the damage done to Michigan policyholders. It would deter fraudulent behavior and incentivize insurance companies to do what they should have been doing all along: treating customers fairly and living up to their obligations.

In one of the least surprising developments, insurance companies are using scare tactics about higher rates to push back against the bills. They claim that Michigan policyholders will need to pay more if they want their insurance company to handle their claims properly.

The reality, however, is that any insurance company telling you premiums will increase if bad faith legislation is passed is signaling they never intended to fairly handle your claim in the first place. Michigan is one of only eight states that does not have any bad faith protections for its citizens.

This is the same flawed and dishonest argument taken that was used to pass controversial No-Fault insurance changes. The claim that proposed laws will inevitably lead to higher rates is not just factually false and unsupported by logic or history, it's based on the illogical premise that lower rates require little-to-no oversight. Even more unfortunately, this argument is a calculated attempt to frighten Michigan residents into taking a stance against the very legislation that would protect them from fraudulent insurance practices.

But the simple fact is this: the pending Michigan Insurance Policyholder Bill of Rights is geared at protecting consumers from unethical behavior by insurance providers. Bad faith practices, which are intentionally dishonest acts or fraudulent behavior, are all too common for insurance companies in Michigan. But the reality is insurance companies operating in good faith should never have to increase their premiums to compensate for lawsuits and legal expenses incurred by other insurers engaging in misconduct.

There is a reason the vast majority of states across the nation have passed similar consumer protections. This legislation would correct a system where businesses and individuals who

The Detroit News

commit insurance fraud can be charged with a felony, but insurance companies face no meaningful legal or financial consequences for fraud.

This “higher premiums” scare tactic simply validates the fact that insurance companies are currently acting in bad faith and anticipating more lawsuits. Michigan policyholders already pay significantly higher car insurance rates (81% more than the national average, according to a MarketWatch study), and insurance is a multi-billion-dollar industry that can easily pay all legitimate claims and still make a healthy profit.

Bad faith laws are a critical way to introduce meaningful consequences into a system that has long been consequence-free for unethical operators. But ethical insurance companies should welcome bad faith laws because they encourage fair competition in the marketplace.

Ultimately, these bills are not about punishment, but deterrence: protecting Michigan’s citizens and businesses and encouraging fair insurance practices.

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