

Andrews: Legislation would hold insurance companies accountable

Nick Andrews

Published October 3, 2023 by [The Detroit News](#)

Bad faith characterizes intentionally dishonest acts or fraudulent behavior. In the context of an insurance company, it means engaging in delay, deny, and defend tactics to improperly underpay legitimate claims, wear down customers waiting for proper payment, and putting the insurance company's interests ahead of the policyholder.

Unfortunately, these tactics are all too common in Michigan, where insurance companies make more money by regularly denying or lowballing legitimate claims than they do by simply paying what they owe.

Michigan has no laws to protect its citizens from these practices. And because policyholders have no recourse when confronted by an insurance company refusing to act in good faith, many companies in the state have adopted bad faith business practices as their standard operating procedure.

The tactic works because there is no down-side: they count on businesses and consumers not having the will or the resources to carry out an expensive years-long legal battle, essentially betting that most claimants will just give up.

More often than not, that's exactly what happens.

Even worse: Michigan's broken system now perpetuates a toxic and nonsensical double standard. Businesses and individuals who commit insurance fraud can be charged with a felony, resulting in jail time or expensive fines. But insurance companies face no such consequences. Even for clear instances of outright fraud, the worst-case scenario for an insurance company is simply to pay what they owe — with no meaningful legal or financial consequences.

This behavior persists, despite the fact that insurance is a multi-billion-dollar industry that can easily pay all legitimate claims and still make a healthy profit.

Fortunately, some advocacy groups and organizations like ours are working hard to change things.

We are leading the push to pass the Insurance Policy Holder Bill of Rights (SB 329 and HB 4681) in Michigan that would protect policyholders: implementing financial penalties for insurance companies that refuse to engage in good faith practices, deny and delay payment of claims without a reasonable basis, and place their interests ahead of the policyholders.

The Detroit News

This legislation would serve as a critical first step to deter fraudulent behavior and incentivize insurance companies to treat customers fairly and live up to their obligations.

Michigan insurance companies routinely attempt to avoid the accountability of bad faith laws by repeating debunked myths about irresponsible litigation or rising premium costs. But holding insurance companies to the same standard as businesses and individuals simply balances the scales of justice.

Bad faith laws are a critical way to introduce meaningful consequences into a system that has been consequence-free for bad actors for far too long. The only parties who should fear bad faith legislation are those bad actors who routinely engage in reprehensible behavior.

There are common sense reasons why nearly all states have already adopted sensible bad faith laws: it's good for business.

Nick Andrews is a partner at Liss & Andrews firm located in Bloomfield Hills.