



KOPKA PINKUS DOLIN & EADS, LLC

Client Advisory

MICHIGAN BILLS WOULD UP INSURERS' BAD FAITH PENALTIES

Michigan does not recognize bad faith lawsuits in first-party auto PIP actions by insureds. However, there is a strong push in the Michigan Legislature for stiffer penalties to insurance companies who wrongly deny first-party PIP claims.

Numerous bills concerning bad faith are currently being debated in the Michigan House of Representatives. House Bill 4244 would require an insurance company to pay reasonable attorney fees to an attorney who represents the insured in a successful first-party action to recover insurance benefits that are overdue. If the failure to timely pay benefits was in bad faith, the insured shall also receive the greater of \$10,000, or 3 times the amount of benefits withheld.

House Bill 5145 would impose an administrative fine of \$1 million on second or subsequent violations by insurance companies for failing to deal fairly and in good faith with customers claiming benefits.

Prior to these bills, four previous bad faith bills were proposed in the Michigan Legislature: Senate Bill 866; Senate Bill 913; Senate Bill 914, and House Bill 4998. All of them were stalled in committees.

Notably, in Michigan, laws are already in place to govern unfair claims practices. If insurance companies engage in such conduct, they subject themselves to 12 percent interest penalties on overdue claims payments, possible license revocation and monetary penalties up to \$5,000.

For more information on the details of this advisory contact

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