

Michigan Policyholders Oppose Senate Bill 245

New proposal and similar policies will raise Michigan insurance rates, open floodgates for fraud and overcharging



As organizations representing thousands of Michiganders and small businesses across the state, we ask you to oppose Senate Bill 245 and similar policy proposals that lead to legal system abuse. These bills would guarantee higher costs for consumers at a time when they can least afford it by expanding litigation in resolving insurance claims and disrupting Michigan’s insurance market. This sweeping proposal would make major changes to homeowners, auto, life, and commercial insurance, including workers’ compensation and general liability, impacting every individual and business in the state. A study conducted by Milliman in the fall of 2023 showed that a substantially similar proposal from last term could create an additional cost to Michigan consumers and businesses of between **\$2.4 billion and \$4.7 billion annually or an extra 11 – 21% on average across most types of insurance policies.**

Other states that have adopted similar policies as those in SB 245 have seen a dramatic increase in fraudulent claims and frivolous lawsuits that create escalating costs for all consumers and businesses.

- Washington state passed a more pared down version of this proposed legislation and saw insurance costs grow by 20%.
- In Florida, abuse became so rampant that insurers were put in a position where they could no longer provide coverage for homes and businesses. Florida's Office of Insurance Regulation reported that between 2017 and 2021, \$51 billion was paid out by Florida insurers with 71% going to attorney's fees and public adjusters. Florida had 9% of the nation's homeowner claims, but 79% of all homeowner litigation in the country.
- For 10 years, California had case law in place that allowed the kind of lawsuits created by what's being proposed in Michigan. Claims and lawsuits increased dramatically, leading to premium increases of 32% to 53% over that decade until the law was finally changed.
- In New Jersey, a smaller state than Michigan, similar proposed legislation would have annually cost consumers \$2.8 billion in increased premiums, according to an independent study.
- Louisiana is now considered to be the least affordable state in the nation for homeowners and auto insurance because of legal system abuse brought on by policies like these. The additional cost to every resident is estimated at an average of \$1,100 per year.

Michigan is already plagued with affordability issues in the housing market and a shortage of attainable housing options. Significant efforts have been made in recent years to address the situation. SB 245 would make a bad situation even worse by increasing the cost of homeowners' insurance. As a result of the same policies embodied in these bills, Florida's homeowners' insurance market found itself in peril. These policies, coupled with climate-related disasters, drove costs sky-high with Floridians paying the highest average premiums in the nation while also facing a major coverage-availability crisis.

The problems in Florida were so bad that it led their Legislature to enact reforms in 2022 and 2023 to roll back and rescind the very system that SB 245 would implement in Michigan if enacted. When the reforms were passed in Florida, plaintiffs' attorneys raced to file more than 250,000 lawsuits ahead of their implementation. This spike in lawsuits contributed to premium increases in 2022 with average homeowners' premium rates in the state rising more than 17%, to \$3,040. Premiums continued to rise in 2023, although at a decreasing rate, as legal reforms kicked in.

The reforms have now been in place for almost three years, and Florida is finally beginning to see a glimmer of hope as insurance carriers come back to the state and premiums decline. Claims-related litigation has significantly declined in Florida, and home insurance average premiums are nearly flat, with 40% of home insurers requesting rate decreases from the state's insurance regulator in 2024. Florida had the lowest average homeowners' premium increases in the nation in 2024, and 11 new companies entered their market over the past two years.

Michigan businesses, families, homeowners and renters deserve affordable insurance. Keeping Michigan an affordable and desirable place to work, live and play is key to attracting and retaining talent and stemming the population loss afflicting our state. SB 245 and similar proposals will make our state a dramatic outlier in terms of insurance costs and stifle Michigan's competitiveness.

Michigan already has strong safeguards in place to protect consumers, ensure claims are paid on time and empower the Michigan Department of Insurance and Financial Services (DIFS) to investigate any complaints. DIFS has examination authority, the ability to level fines of up to \$50,000 and the capability to remove an insurers license to do business – significant protections that are pro-consumer. If Senate Bill 245 becomes law, EVERY Michigan consumer purchasing insurance – from auto and homeowners to family farms and small businesses – would be saddled with at least \$2 billion in higher costs every year.

We urge you to oppose SB 245 and any similar proposals that open the door for legal system abuse.

American Council of Life Insurers
American Property Casualty Insurance Association
Associated Builders and Contractors of Michigan
Bay Area Chamber of Commerce
Big "I" Michigan
Blue Cross Blue Shield Blue Care Network of Michigan
Business Leaders for Michigan
CURE Auto Insurance
Detroit Regional Chamber
ExamWorks
Grand Rapids Chamber of Commerce
Great Lakes Physicians Organization
Home Builders Association of Michigan
Insurance Alliance of Michigan
Lansing Regional Chamber
Life Insurance Association of Michigan
Jackson County Chamber of Commerce
Lyft
Mackinac Center for Public Policy
Michigan Adjusters Association
Michigan Alliance for Legal Reform
Michigan Association of Counties
Michigan Association of Professional Insurance Agents
Michigan Association of Timbermen Self-Insurers' Fund (MATSIF)
Michigan Chamber of Commerce
Michigan Farm Bureau
Michigan Infrastructure & Transportation Association
Michigan Land Title Association
Michigan Manufacturers Association
Michigan Petroleum Association / Michigan Association of Convenience Stores
Michigan REALTORS
Michigan Restaurant and Lodging Association
Michigan Retailers Association
Michigan Trucking Association
Midland Business Alliance
National Association of Insurance and Financial Advisors-Michigan
National Association of Mutual Insurance Companies
National Federation of Independent Business
National Insurance Crime Bureau
North Oakland Regional Chambers Association
Saginaw Chamber of Commerce
Small Business Association of Michigan
Three Rivers Area Chamber of Commerce
Uber