

DEPARTMENT OF ENERGY, LABOR, AND ECONOMIC GROWTH

OFFICE OF FINANCIAL AND INSURANCE REGULATION

INSURANCE POLICY FORMS - NONCONFORMING CLAUSES

Filed with the Secretary of State on May 14, 2010

These rules take effect 7 days after filing with the Secretary of State

(By authority conferred on the commissioner of the Office of Financial and Insurance Regulation by sections 210, 2236, and 3525 of the insurance code of 1956, 1956 PA 218, 1969 PA 306, E.R.O. No 2008-1 and E.R.O. No 2008-4; MCL 500.210, MCL 500.2236, MCL 500.3525, MCL 24.231 to MCL 24.233, and MCL 445.2005, and MCL 445.2025)

R 500.2231 and R 500.2232 are added to the Michigan Administrative Code as follows:

R 500.2231 Definitions.

Rule 1. As used in these rules:

- (a) "Act" means the insurance code of 1956, 1956 PA 218, MCL 500.100.
- (b) "Commissioner" means the commissioner of the office of financial and insurance regulation.
- (c) "Form" means a form identified in section 2236 or in any other section of the act that is subject to section 2236 procedures for approval or disapproval of forms.
- (d) "Nonconforming clause" means a clause, exception, or condition identified in R 500.2232.
- (e) "Personal insurance" means all certificates issued or insurance policies underwritten and sold on an individual or group basis for personal, family, or household use.
- (f) Terms defined in the insurance code of 1956, 1956 PA 218, MCL 500.100, have the same meanings when used in these rules.

R 500.2232 Nonconforming clauses.

Rule 2. (1) Within the meaning of unreasonable in section 3525 of the act or within the meaning of section 2236(5) of the act, the following clauses violate a provision of the act, or are inconsistent, ambiguous, or misleading, or are exceptions and conditions that unreasonably or deceptively affect the risk purported to be assumed in the general coverage of a policy:

- (a) A definition of disability in a disability income policy that is more inclusive than the definition of disability used in social security act disability proceedings if the more inclusive definition ceases to apply when or if the policyholder is denied social security disability benefits.
- (b) A blank endorsement in connection with a personal insurance policy.
- (c) An arbitration provision that requires the insured to travel to a location outside the county of the insured's residence, unless the insured consents to another location after the arbitral dispute occurs.

(2) On and after the first day of the third month following the effective date of these rules, an insurer shall not issue, advertise, or deliver to any person in this state a policy, contract, rider, endorsement, certificate, or similar contract document that contains a nonconforming

clause. This prohibition does not apply to a contract document in use before that date, but does apply to any contract document revised in any respect on or after that date.

(3) On and after the first day of the third month following the effective date of these rules, a nonconforming clause issued or delivered to any person in this state in a policy, contract, rider, endorsement, certificate, or similar contract document is void and of no effect. This does not apply to contract documents in use before that date, but does apply to any such document revised in any respect on or after that date.

(4) Nothing in this rule limits the commissioner's authority under section 2236 of the act or any other section of the act to disapprove or withdraw approval of any form that contains a nonconforming clause or to take any other action authorized by law.

(5) By the first day of the fourth month following the effective date of these rules, each insurer transacting insurance in this state shall submit to the commissioner a list of all forms in effect in this state that contain nonconforming clauses as defined in this rule set and shall submit a certification that the list is complete and accurate. If an insurer has no such forms in effect, it shall submit to the commissioner a report certifying that fact.