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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES  
LANSING

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DIRECTOR

## FIRE INSURANCE WITHHOLDING PROGRAM

On the following pages are an Enrollment and Notification Form and a sample resolution for the Fire Insurance Withholding Program. You should review Sections [500.2227](#) and [500.2845](#) of the Michigan Insurance Code to determine under which section your municipality is eligible to participate in the program.

Section 2845 of the Insurance Code includes municipalities of less than 50,000 in population located in counties of less than 425,000 in population. Municipalities that meet this population criteria which have passed resolutions establishing escrow accounts will be allowed to escrow 25% of a fire insurance settlement for fire and explosion losses to real property within the boundaries of the municipality.

Section 2227 to the Insurance Code includes municipalities with a population of 50,000 or more, or those municipalities with a population less than 50,000 but in a county with a population of 425,000 or more. These municipalities will be allowed to establish escrow accounts to escrow 25% of a fire insurance settlement for losses to real property caused by fire or explosion, as well as losses caused by the perils of vandalism, malicious mischief, wind, hail, riot, or civil commotion.

Under both of the above sections of the Insurance Code, a final settlement which exceeds 49% of the insurance on the real property will serve as prima facie evidence that the municipality has cause for escrowing of the withheld amount. For residential property, the 25% settlement shall not exceed the amount adjusted annually in accordance with the consumer price index with the adjusted amount reflected in the upper right corner of the published list of participating municipalities. Both sections of the Insurance Code also establish a method for the policyholder to object to the municipality's retention of the withheld amount.

While there is no standard format for the resolution, we suggest that municipalities use the format of other resolutions adopted by their governing body. **The only legal requirement is that the resolution contain specific wording concerning the establishment of an escrow account.** The attached sample resolution contains sufficient language to that effect.

Once the resolution is passed, you need to provide the Department of Insurance and Financial Services (DIFS) with a copy, along with the enrollment form including the name and address of the person designated as the contact person for insurance companies. Your municipality and the contact person's name, address and telephone number would then be added to the list of municipalities currently participating in the program.

Updated lists are issued periodically by DIFS and distributed to licensed insurance companies. Because municipalities are prohibited from implementing the law sooner than thirty (30) days after insurers have been notified, each amended list contains an effective date for each municipality. Only **fire losses occurring after that date** are subject to the withholding provisions.

Should you have any further questions about this program, please contact DIFS toll free at 877-999-6442.

## Fire Insurance Withholding Program Enrollment and Notification

Please type or print clearly

Name of Municipality	Type of Municipality (choose one)  <input type="checkbox"/> City <input type="checkbox"/> Village <input type="checkbox"/> Township	Located in the Michigan County of:
Name and title of Contact Person	<p style="text-align: center;"><b>Please return completed form to:</b></p> <p style="text-align: center;"><b>Department of Insurance and Financial Services Office of Consumer Services PO Box 30220 Lansing MI 48909-7720</b></p>	
Contact Person complete address		
Contact Person phone number (with area code) (     )		
Contact Person email address		

Municipality will be participating under the following section of the Michigan Insurance Code (choose one):

- Section 2845 - Municipalities of less than 50,000 in population located in counties of less than 425,000 in population.
- Section 2227 - Municipalities with a population of 50,000 or more, or those municipalities with a population less than 50,000 but in a county with a population of 425,000 or more.

Please enroll this municipality in the Fire Insurance Withholding Program.

Authorized signature	Date signed	Signer's name and title, typed or printed
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P.A. 216 and 217 of 1998 require submission of this information by municipalities that wish to enroll in the Fire Insurance Withholding Program.



**Michigan Department of Insurance and Financial Services**

DIFS is an equal opportunity employer/program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Visit DIFS online at: [www.michigan.gov/difs](http://www.michigan.gov/difs) Phone DIFS toll-free at: 877-999-6442

SAMPLE RESOLUTION # \_\_\_\_\_

TOWNSHIP/CITY/VILLAGE OF \_\_\_\_\_

WHEREAS, the provisions of Act 495 of the Public Acts of 1980; as amended by Act 216 of the Public Acts of 1998, and the provisions of Act 217 of the Public Acts of 1998, provide that a portion of certain casualty losses for fire or explosion otherwise payable by insurers may be withheld in escrow by participating municipalities in order to secure repair, replacement or removal of damaged structures which violate the *Township/Village/City of* \_\_\_\_\_ health or safety standards; and

WHEREAS, the *Township/Village/City of* \_\_\_\_\_ has determined that participation in said program would protect and promote the public health, safety and welfare and wishes to be included in the list of participating municipalities published by the Commissioner of Insurance; and,

WHEREAS, the *Township/Village/City of* \_\_\_\_\_ desires to implement all procedures necessary to administer said program by designating the *Township/Village/City* official responsible for administration of the program and establish an escrow account for said purpose.

NOW, THEREFORE, IT IS HEREBY RESOLVED as follows:

1. That the *Township/Village/City of* \_\_\_\_\_ does hereby become a participating municipality in the program providing for the escrow of fire insurance as established by Act 495 of the Public Acts of 1980; as amended by Act 216 of the Public Acts of 1998, or as established by Act 217 of the Public Acts of 1998, and does declare its intention to uniformly apply the provisions of Section 2845 or Section 2227 to all property within the *Township/Village/City of* \_\_\_\_\_.
2. That the *Township/Village/City of* \_\_\_\_\_ official responsible for the administration of Section 2845 or 2227 of said Acts and any rules promulgated by the Commissioner of Financial and Insurance Services is hereby designated as follows:
3. That the *Township/Village/City of* \_\_\_\_\_ *Official* shall establish an escrow account with the \_\_\_\_\_ Bank for the purpose of receiving and holding deposits of money received from insurers pursuant to Section 2845 or 2227 of said Acts, which account shall be separately maintained from all other accounts and may be an interest bearing account.

\_\_\_\_\_  
Name, *Capacity*

\_\_\_\_\_  
Name, *Capacity*

Date \_\_\_\_\_