

**STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Bulletin 2007-09-INS

In the matter of

Insurance Producer Administrative Cost
_____ /

**Issued and entered
this 11th day of June 2007
By Linda A. Watters
Commissioner**

It has come to the Commissioner's attention that some insurance producers have faced uncompensated costs associated with repeated requests from lenders for multiple copies of the same insurance policy documents, mainly in connection with auto and home loan transactions. The purpose of this bulletin is to clarify that nothing in the Insurance Code, 1956 PA 218, MCL 500.100, *et seq.*, prohibits a producer from charging a lender, or other third party, a fee to recoup reasonable administrative expenses related to multiple requests for copies of insurance policies and related documents.

Insurance producers receive compensation for selling, soliciting or negotiating insurance in the form of commission payments, which are specified in their contracts with the insurers they represent. The commissions that insurers pay their insurance producers include compensation for performing administrative services associated with a policy of insurance, including the cost of providing coverage documents to insureds.

Auto and home insurers are required by law to build an allowance for these commissions, as well as other administrative expenses, into the premium rates that they charge to insureds. (MCL 500.2110, MCL 500.2403, MCL 500.2603) They are required to file these premium rates with the Commissioner of OFIS and are prohibited from charging premium rates for insurance policies that are not in accordance with their OFIS filings. (MCL 500.2108, MCL 500.2412, MCL 500.2602). Since the cost of the administrative services that an insurance producer provides to an insured are covered by the premium paid to the insurer, the insurance producer may not legally charge an insured an extra fee for those services.

However, an insurance producer's commission does not normally cover the cost of providing administrative services to people or entities other than the insured. Therefore,

the sections of law referenced above do not prohibit an insurance producer from charging a lender, or other third party, a fee to recoup reasonable administrative expenses related to multiple requests for copies of insurance policies and related documents.

This bulletin does not address either the kinds of insurance documents or the scope of non-public personal financial information an insurance agent may release or disclose to a third party without the consent of or at the direction of the insured. Those matters are subject to Chapter 5 of the Insurance Code, MCL 500.501 to MCL 500.547, and all applicable federal laws, including those cited in MCL 500.541.

Any questions regarding this bulletin should be directed to:

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Linda A. Watters
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