

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Bulletin 2025-25-INS

In the matter of:

**Improper Claims Administration Practices in
Automobile Insurance**

Issued and entered
this 24th day of October 2025
by Anita G. Fox
Director

This bulletin supersedes Bulletin 2025-19-INS, to provide clarity that the Department is identifying and addressing unfair or abusive acts and practices within the claims administration process for automobile insurance.

It has come to the Director's attention that insurers may be engaging in certain insurance claims administration practices within the automobile insurance industry that violate the Insurance Code of 1956, 1956 PA 218, MCL 500.100 to 500.8302 (the "Code"), to the detriment of consumers. "Claims administration" refers to the insurer's process for handling a claim that concludes with either payment on or rejection of the claim. The Department of Insurance and Financial Services ("DIFS") reminds insurers that their claims administration practices must follow the Code, and that the Department will take regulatory action if it identifies a Code violation or a pattern of practices that violate the Code. An insurer may not undertake a course of conduct that fails either "to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies" or "to attempt in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear." MCL 500.2026(1)(c) and (f).

Improper claims administration practices, particularly for automobile collision and comprehensive coverages, may include, but are not limited to, the following conduct:

- Making misrepresentations to claimants during claims administration;
- Failing to investigate claims promptly;
- Failing to make timely payment on claims that are not reasonably in dispute;
- Failing to pay the statutorily required interest for untimely paid claims;
- Declaring a vehicle a total loss and having the claimant transfer the vehicle's title and then refusing to pay the claim;
- Taking possession of a vehicle and retaining the proceeds from the sale of the vehicle when the claim has been denied or the insurance policy has been rescinded; and

- Denying claims or offering to pay substantially less than what is owed on claims when liability is reasonably clear, including by prolonging the claims administration process or making unreasonable proof-of-loss demands to improve the insurer's bargaining position.

Possible sanctions for the abusive practices described above include, but are not limited to, fines and/or suspension or revocation of an insurer's certificate of authority. This bulletin does not establish that any insurer has committed the practices described above. DIFS will investigate complaints of such unfair trade practices as provided for under the Code and the applicable administrative rules. Under the Code, such complaints and investigations are generally considered confidential until the Department initiates formal legal action. DIFS strongly urges any consumer who has knowledge of the abusive conduct described above, or of any other abusive practices in claims administration, to file a complaint on the DIFS website at Michigan.gov/DIFScomplaints or by calling DIFS Monday to Friday from 8 a.m. to 5 p.m. at 877-999-6442.

Any questions regarding this bulletin should be directed to:

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/s/

Anita G. Fox
Director