

Resolution # _____

Township of Powell

Fire Insurance Withholding Program

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 strictures which violate the Township/Village of Powell health or safety standards; and

WHEREAS, the Township of Powell 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 of Powell desires to implement all procedures necessary to administer said program by designating the Township of Powell 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 of Powell 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 of Powell.
2. That the Township of Powell 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 of Powell 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.

Erickson, Treasurer

Name, Capacity

Hudson, Trustee

Name, Capacity

Date 02-18-2014



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING

R. KEVIN CLINTON
DIRECTOR

FIRE INSURANCE WITHHOLDING PROGRAM

In response to your request for information on participating in the Fire Insurance Withholding Program, attached please find an Enrollment and Notification Form and a sample resolution. 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 of 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 \$6,725 as of June 1, 2003. This amount will be 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.