

BUSINESS

Michigan auto insurance law lacks 'cooling off period' in claims disputes. What to know



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A lack of regulatory oversight of Michigan car insurance companies allows insurers to cancel a driver's policy even after getting motorists to surrender their vehicles under the guise of a claim being approved, critics contend.

A Detroit News investigation of complaints and lawsuits involving CURE Auto Insurance found the New Jersey-based insurer has a practice of denying claims after initially informing customers that their wrecked or stolen vehicle was deemed a total loss, setting in motion a process that requires drivers to surrender their keys and vehicle title in order to get the claim paid.

In multiple cases, [The News found](#), CURE ultimately rejected claims after further investigation, arguing that motorists had engaged in a material misrepresentation at some point during the transaction.

More: [CURE Auto Insurance accused of taking customers' vehicles, then denying their claims](#)

More: [CURE accused him of obstructing its fraud probe. Then it found his stolen truck](#)

Experts in Michigan car insurance law said they've never seen an insurer take keys and title to a vehicle — in one case, CURE auctioned it off and pocketed the proceeds — before later denying a claim.

The state's insurance regulatory agency won't say if the practice is legal, while CURE contends Michigan's insurance code gives insurers broad leeway to define what constitutes a material misrepresentation to justify rescinding a policy after initially telling a driver their vehicle claim would be paid.

Typical examples of material misrepresentation include a driver failing to report a household member or a potential driver, such as an adult child who mostly lives away from home at college, CURE CEO Eric Poe said.

Insurers can also deny coverage if motorists misrepresent where they live by claiming a vehicle is "garaged" in Ferndale but parks it overnight on a street in Midtown Detroit in an effort to get lower insurance premiums, said Erica Everson, founder of the Automotive Education and Policy Institute, an Ohio-based car insurance consumer watch group.

Everson said The News' investigation reveals a need for changes in state law that would impose a statute of limitations timetable on insurers to cancel a policy due to claims of material misrepresentation by the motorist. Insurers shouldn't be able to claim material representation after a certain number of years of the driver being their customer, paying monthly premiums on time, she said.

"It's just bizarre that this is happening on such a — it sounds like — routine basis," Everson said of CURE's post-accident recession practice.

The law gives insurers this leeway because premiums are set based on the potential increased liability to the insurance carrier, Poe said.

"The rates that people are charged are based upon the number of household members in each car, in some cases, depending on how you rate," Poe told The Detroit News. "So when you materially misrepresent who lives in your house, these statistics behind what we charge in rates are altered dramatically."

The Michigan Department of Insurance and Financial Services would not say whether insurers can legally declare a vehicle a total loss, initiate the paying of a

claim and then later deny the claim and rescind a policy.

“Auto insurance claims are highly individualized based on the circumstances of the loss and policy terms, and as such the department cannot generalize,” DIFS Director Anita Fox said in a statement to The Detroit News.

More: [Why Michigan's consumer complaints against car insurance companies vanish](#)

Multiple former customers of CURE said they had to navigate an array of delays, requests for interviews by CURE's investigators and demands to see phone records before their claims were eventually denied.

The insurance code allows insurers to invoke the "non-cooperation" clause in their policy in an effort to deny a claim, said Nick Andrews, a Bloomfield Hills attorney and president of the Michigan Association of Justice, the trade group for trial lawyers.

"I think they're trying to make it so onerous for some people to simply say, 'OK, I give up. I guess I'm not going to get my claim paid,'" Andrews said of CURE.

Under state law, insurers have 30 days upon receipt of a claim for a damaged or stolen vehicle to notify the vehicle's owner that it is a total loss and tell them what information is required to process the claim, according to the state's insurance department.

That information can include requesting the vehicle owner sign over the original title (if they own the vehicle outright), turn over all keys, record the miles driven on the odometer and sign over power of attorney to the insurance company so it can take possession of the vehicle and pay a lienholder, such as a bank or credit union that financed the vehicle.

Michigan's insurance law also has [a provision](#) that outlines a scenario in which drivers are required to surrender the title to their vehicle after the insurance company pays a damage claim — not the other way around.

However, when a car insurance company informs a customer that their vehicle has been deemed a total loss, it doesn't guarantee payment of the claim, auto insurance law experts say.

To address CURE's practice, Everson said, Michigan lawmakers should consider requiring insurers to put money aside for a vehicle damage claim after initially declaring the vehicle a total loss to protect consumers from a "bait and switch."

"The insurer, frankly, should have to put the money in escrow," Everson said. "If this insurer is going to continue to play this particular provision ... then one could argue that the insurer is not functioning, possibly, in good faith."

Michigan auto insurance law lacks a regulatory intervention when a car insurance company denies a claim and cancels the policy after the motorist has already signed over their property rights to the vehicle, said attorney Mark Bernstein, co-CEO of the Sam Bernstein Law Firm in Farmington Hills.

"If an insurance company tells you to sign something, anything, talk to a lawyer. It's really important," Bernstein said. "I cannot tell you how many times I have talked to people who regret trusting their insurance company. And it's a quick phone call that can save you a lot of trouble."

Lawmakers should consider adding a 30-day "cooling off period" that allows a motorist to recoup their forfeited vehicle after the insurer has denied and rescinded coverage, Bernstein said.

"Even if someone were to — an insured — were to sign over their vehicle, they would have 30 days, for example, to void that agreement and to do so in a hold harmless way," Bernstein said. "It slows things down."

Employment separation agreements have a seven-day cooling-off period "for obvious reasons," Bernstein said.

Poe defended his company's practices, stating that they have an obligation to investigate claims they deem suspicious when inconsistencies are found in a driver's claim, police reports and other documentation.

He also contended his insurance company — Michigan's 17th largest in 2024 in terms of total premiums sold — is not unique in trying to root out alleged material misrepresentations made by motorists at the time they purchased a policy or before they were in an accident. He used an example of a policyholder not disclosing a driver with a suspended driver's license using a vehicle insured by CURE or any other carrier.

"That suspended licensed driver, if they were disclosed upon the application for insurance, the insurance carrier would have never issued the policy, they would have never had to cover that claim," Poe told The News. "That's how every insurance carrier in the United States of America works."

Under state law, auto insurance consumers can file a complaint with the Michigan Department of Insurance and Financial Services over unpaid claims.

Those complaints are investigated, but only referred to the Michigan Office of Administrative Hearings and Rules when there's a potential violation of the state insurance code.

"Through the complaint process, DIFS initially seeks to work with the consumer and the company to resolve the consumer's issues," Fox said in a statement.

DIFS accepts complaints through its [online portal](#) or via [a printable form](#) that can be mailed or emailed. The agency also has a call center open daily from 8 a.m. to 5 p.m. at (877) 999-6442.

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