

Legislative Analysis



LAPSE OF AUTO INSURANCE DUE TO ACTIVE DUTY

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House Bill 4177

Sponsor: Rep. Dudley Spade

Committee: Insurance

Complete to 2-26-07

A SUMMARY OF HOUSE BILL 4177 AS INTRODUCED 1-30-07

The bill would amend the Insurance Code to address instances where an automobile owner allows insurance coverage to lapse while on active duty in the Armed Forces of the United States.

Under the bill, an auto insurance company could not use such a lapse in the six months immediately preceding a person's application for insurance as the sole reason to refuse to insure, refuse to continue to insure, limit available coverages, charge a reinstatement fee, or increase premiums. The applicant would have to indicate on a form provided by the company that active duty service was the reason for the lapse in coverage. This would be an amendment to the portion of the code that limits the kind of underwriting rules that an auto insurer can use. The Insurance Code allows companies to use an applicant's failure to maintain insurance during the six months prior to application as a factor in underwriting; the bill would provide an exception.

(The bill would only apply to an "eligible person." Michigan's no-fault auto insurance system is a "modified take all comers" system that allows companies to refuse to provide coverage only to persons who, based on certain conduct, are not considered "eligible persons.")

MCL 500.2118 & 21120

FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

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