

SENATE BILL NO. 7

January 15, 2019, Introduced by Senator LUCIDO and referred to the Committee on Insurance and Banking.

A bill to establish a system for online verification of automobile insurance; to require automobile insurers to provide policy information for the online verification system; to provide for the powers and duties of state governmental officers and entities; to provide vehicle registration sanctions for the failure to maintain automobile insurance; to impose fees for vehicle registration reinstatement; and to require the promulgation of rules.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "vehicle insurance verification act".

3 Sec. 2. As used in this act:

4 (a) "Automobile insurance" means insurance required under
5 section 3101 or 3103 of the insurance code of 1956, 1956 PA 218,
6 MCL 500.3101 and 500.3103.

7 (b) "Commercial auto coverage" means any coverage provided to
8 an insured, regardless of the number of vehicles or entity covered,
9 under a commercial coverage form and rated from a commercial manual
10 approved by the department.

11 (c) "Department" means the department of insurance and
12 financial services, unless expressly stated otherwise.

13 (d) "IICMVA" means the Insurance Industry Committee on Motor
14 Vehicle Administration.

15 (e) "Online" means through the internet, the World Wide Web,
16 or a similar proprietary or electronic system based on a
17 telecommunication provider, as that term is defined in section 102
18 of the Michigan telecommunications act, 1991 PA 179, MCL 484.2102.

19 Sec. 3. (1) The department shall promulgate rules under the
20 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
21 24.328, to establish a system for online verification of evidence
22 of automobile insurance. The verification system must do all of the
23 following:

24 (a) Send requests to insurers for verification of evidence of
25 insurance online and using services established by the insurers, in
26 compliance with the specifications and standards of the IICMVA,
27 with enhancements, additions, and modification as required by the
28 department.

29 (b) Include appropriate provisions to secure its data against

1 unauthorized access. The department shall maintain a historical
2 record of the system data for 6 to 12 months after the date of a
3 request or response.

4 (c) Receive motor vehicle liability insurance data file
5 transfers from insurers under specifications and standards
6 established by the department to identify automobiles that are not
7 covered by a liability insurance policy and to facilitate requests
8 to insurers for verification of evidence of insurance online.

9 (d) Include information that will enable the department to
10 make inquiries to insurers about evidence of insurance that is
11 consistent with insurance industry and IICMVA recommendations,
12 specifications, and standards by using multiple data elements for
13 greater matching accuracy, specifically the National Association of
14 Insurance Commissioners insurance company code, the vehicle
15 identification number, the policy number, or elements as described
16 in the specifications and standards of the IICMVA, with
17 enhancements, additions, and modifications as required by the
18 department. The department shall not request information under this
19 subdivision more frequently than every 7 days.

20 (e) Not require insurers to verify evidence of insurance
21 online for vehicles insured under commercial auto coverage.
22 However, the department shall require insurers of vehicles insured
23 under commercial auto coverage to provide liability insurance data
24 file transfers to the department for the vehicles, but shall not
25 require vehicle identification numbers for nonvehicle specific
26 policies or if the vehicle identification number is not captured by
27 the insurer.

28 (f) Not require the verification of any of the following:

29 (i) A motor vehicle owned and operated by the United States or

1 an agency of the United States or of this state or a political or
2 governmental subdivision of this state.

3 (ii) A motor vehicle that is subject to the supervision and
4 regulation of the Federal Motor Carrier Safety Administration or
5 the public service commission and for which the owner or operator
6 has filed evidence of financial responsibility, the liability under
7 which is not less than that required of the operator of a motor
8 vehicle under the insurance code of 1956, 1956 PA 218, MCL 500.100
9 to 500.8302.

10 (iii) A motor vehicle covered by a certificate of self-insurance
11 issued by the department.

12 (iv) A motor vehicle owned by a licensed motor vehicle dealer
13 and held in inventory that is covered by a blanket liability
14 insurance policy or commercial automobile liability insurance
15 policy.

16 (v) A vehicle properly registered in another jurisdiction and
17 not legally required to be registered under the Michigan vehicle
18 code, 1949 PA 300, MCL 257.1 to 257.923.

19 (g) Assist in the identification of uninsured motorists in the
20 most effective way possible.

21 (2) The system established under this section must be used
22 only for verification of evidence of mandatory automobile
23 insurance, must be accessible to authorized personnel of the
24 department, the department of state, the department of health and
25 human services, the courts, law enforcement personnel, and any
26 other entities authorized by this state as permitted by privacy
27 laws of this state or federal privacy laws, and must be interfaced,
28 wherever appropriate, with existing state systems.

29 (3) The department may contract with 1 or more private service

1 providers that have successfully implemented similar systems in
2 other states to assist in establishing and maintaining the system
3 as required under this section.

4 Sec. 4. (1) An insurer that issues automobile liability
5 insurance policies in this state shall establish and maintain a
6 system to perform the functions required to be performed by the
7 insurer under this act, including the ability to respond within the
8 time period prescribed by IICMVA specifications and standards.

9 (2) An insurer that issues automobile liability insurance
10 policies in this state shall provide access to automobile insurance
11 policy status information as required by the rules promulgated
12 under this act.

13 (3) An insurer that issues automobile liability insurance
14 policies in this state shall respond to a request for verification
15 of automobile insurance if the request is for a date that is within
16 6 months before the date of the request.

17 (4) An insurer may use the services of a third party vendor to
18 establish and maintain the insurance verification program required
19 under this act.

20 Sec. 5. (1) After the online insurance verification system
21 established under this act is in operation, within 40 days after
22 the registration or renewal or a registration of a motor vehicle in
23 this state, and not less than every 45 days after the first
24 verification, the department shall access the system to
25 electronically verify whether the motor vehicle is covered by
26 automobile insurance. If by using the system the department cannot
27 verify that the motor vehicle is covered by automobile insurance,
28 the department shall send the owner or registrant a notice that
29 complies with subsection (2). A notice under this subsection must

1 be in writing and be mailed through the United States Postal
2 Service to the owner's or registrant's last known address as
3 reflected on the department of state's motor vehicle registration
4 records.

5 (2) A notice under subsection (1) must notify the owner or
6 registrant that fines may be levied for noncompliance and that the
7 vehicle registration of the motor vehicle may be canceled 30
8 calendar days after the date the notice is mailed unless the owner
9 or registrant furnishes evidence of insurance in effect on the
10 verification date, as prescribed by the department. The notice must
11 require the owner or registrant to provide all of the following:

12 (a) A statement whether the motor vehicle was insured on the
13 verification date stated in the request, and, if the vehicle was
14 not insured, the reason.

15 (b) The name, address, National Association of Insurance
16 Commissioners number, and telephone number of the insurer that
17 insures the motor vehicle.

18 (c) The policy number of the policy under which the motor
19 vehicle is insured.

20 (d) The effective date of the policy and the expiration date
21 of the policy under which the vehicle is insured.

22 (e) The owner's or registrant's signature.

23 (f) Any additional information the department may require to
24 verify compliance with automobile insurance requirements.

25 (3) Within 30 calendar days after the department mails a
26 notice under subsection (1), the owner or registrant shall furnish
27 the requested information to the department in a manner as
28 prescribed by the department. The department may consider evidence
29 of insurance in effect on the verification date, as prescribed by

1 the department, to be a satisfactory response to the request for
2 information.

3 (4) All of the following apply after a notice is mailed under
4 subsection (1):

5 (a) If the owner or registrant responds within the required
6 time and the response establishes that the motor vehicle was
7 covered by automobile insurance on the verification date, the
8 department shall indicate in its records that the owner or
9 registrant is in compliance.

10 (b) If the owner or registrant responds within the required
11 time and asserts that the motor vehicle did have automobile
12 insurance coverage on the verification date but the response does
13 not establish that the automobile insurance coverage existed, the
14 department may seek to confirm the response by either using the
15 online insurance verification system established under this act or
16 furnishing necessary information to the insurer named in the
17 response. An insurer that receives information under this
18 subdivision shall within 30 calendar days inform the department
19 whether on the verification date stated the motor vehicle was
20 covered by automobile insurance issued by the insurer. If the
21 attempt or attempts at confirmation under this subdivision
22 establish that the motor vehicle was covered by automobile
23 insurance on the verification date, the department shall proceed as
24 provided in subdivision (a).

25 (c) If an attempt or attempts at confirmation by the
26 department under subdivision (b) fail to establish that the motor
27 vehicle was covered by automobile insurance on the verification
28 date, if the owner fails to respond to the notice within the
29 required time, or if the owner responds that the motor vehicle did

1 not have automobile insurance coverage on the verification date and
2 does not give as a reason a circumstance under which the insurance
3 was not required as provided in section 3101(1) of the insurance
4 code of 1956, 1956 PA 218, MCL 500.3101, the owner is considered to
5 have violated section 3101(1) of the insurance code of 1956, 1956
6 PA 218, MCL 500.3101.

7 (5) For a first violation by a person as determined under
8 subsection (4)(c), the department shall notify the department of
9 state to cancel the registration of the motor vehicle. If the
10 registration of a vehicle is canceled under this subsection, the
11 department of state shall not issue a new registration for the
12 vehicle unless the owner or registrant pays the department a fee of
13 \$200.00, in a manner as prescribed by the department, and provides
14 proof of existing automobile insurance as prescribed by the
15 department.

16 (6) For a second or subsequent violation by a person as
17 determined under subsection (4)(c) within the preceding 4 years,
18 the department shall notify the department of state to cancel the
19 registration of the vehicle. If the registration of a vehicle is
20 canceled under this subsection, the department of state shall not
21 issue a new registration for the vehicle unless the owner or
22 registrant pays the department a fee of \$400.00, in a manner as
23 prescribed by the department, and provides proof of existing
24 automobile insurance under a 6-month prepaid noncancelable policy
25 as described in section 3101c of the insurance code of 1956, 1956
26 PA 218, MCL 500.3101c.

27 (7) The fact that an owner or registrant acquires automobile
28 insurance for or transfers or otherwise terminates ownership of the
29 motor vehicle after the date of verification has no bearing on a

1 cancelation under this section.

2 (8) After accepting a reinstatement fee and proof of insurance
3 under subsection (5) or (6), the department shall, within 1
4 business day, notify and forward any required documentation
5 concerning the reinstatement of a motor vehicle registration to the
6 department of state in the manner prescribed by the department of
7 state.

8 (9) Within 30 calendar days after a vehicle registration is
9 canceled under this act, the owner or registrant of the vehicle may
10 appeal the cancelation to the department under chapter 4 of the
11 administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to
12 24.288. After exhausting the person's administrative remedies, the
13 person has the right of judicial review as provided under chapter 6
14 of the administrative procedures act of 1969, 1969 PA 306, MCL
15 24.301 to 24.306. In a review under this subsection, the court
16 shall not waive a reinstatement fee if the owner or registrant
17 cannot produce evidence that valid automobile insurance was in
18 effect on the date of verification.

19 (10) An operator of a motor vehicle for which the registration
20 has been canceled under this act is subject to citation by a law
21 enforcement officer in accordance with the Michigan vehicle code,
22 1949 PA 300, MCL 257.1 to 257.923.

23 (11) Any fees required to be paid under this act are in
24 addition to any fees that may apply under the Michigan vehicle
25 code, 1949 PA 300, MCL 257.1 to 257.923.

26 Sec. 6. An insurer is immune from civil and administrative
27 liability for good-faith efforts to comply with this act.

28 Sec. 7. The department shall deposit money from the fees
29 collected under this act in a separate account and use the money

1 for the following purposes:

2 (a) To implement, maintain, and enhance the online insurance
3 verification system established under this act.

4 (b) If any money remains after making the expenditures under
5 subdivision (a), to establish and maintain a statutorily created
6 automobile insurance fraud prevention authority. However, if a bill
7 of the 99th Legislature to create an automobile insurance fraud
8 prevention authority is not enacted into law, the department shall
9 deposit any money that remains after making the expenditures under
10 subdivision (a) into the general fund of this state.

11 Sec. 8. (1) This act takes effect on January 1, 2020.

12 (2) The verification system required under this act must be
13 installed and fully operational by July 1, 2020, following an
14 appropriate testing and pilot period. The director of the
15 department shall post a certification on the department website
16 stating that the system is operational when the system is
17 operational.

18 (3) The department shall not take enforcement action under
19 this act until the successful completion of the testing and pilot
20 period under subsection (2).

21 Enacting section 1. This act does not take effect unless all
22 of the following bills of the 100th Legislature are enacted into
23 law:

24 (a) Senate Bill No. 8.

25

26 (b) Senate Bill No. 9.

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