



Senate Fiscal Agency
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Senate Bill 282 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Sylvia Santana
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 8-26-24

RATIONALE

Generally, an owner of a registered motor vehicle must maintain insurance coverage on the vehicle or face certain penalties for a lapse in coverage. According to testimony before the Senate Committee on Finance, Insurance, and Consumer Protection, convicts may find it impractical to maintain auto insurance throughout their incarceration. Michigan's annual car insurance costs are some of the highest in the nation, and convicts often do not have reliable sources of income for which to pay for them. Current law allows auto insurance agents to penalize individuals whose auto insurance has lapsed, such as by raising premiums or charging a reinstatement fee. Newly released convicts often need reliable methods of transportation to fulfill parole or release requirements, such as securing employment, but may be unable to afford higher insurance rates. It has been suggested that the penalization for not maintaining coverage is a barrier to reentering society and should be eliminated for the recently incarcerated.

CONTENT

The bill would amend the Insurance Code to specify that an automobile insurer could not refuse to insure or modify coverage and costs of insurance solely because of an individual's failure to maintain insurance while incarcerated.

The bill is tie-barred to Senate Bills 708 and 709, which would specify that automobile insurers' underwriting rules concerning an individual's failure to maintain insurance coverage during the six-month period before application would not apply to an individual who had a lapse in coverage due to incarceration.

Generally, unless otherwise specified, the owner or registrant of a registered motor vehicle must maintain personal protection insurance and property protection insurance as required under Chapter 31 (Motor Vehicle Personal and Property Protection), and residual liability insurance.

The bill would prohibit an automobile insurer from refusing to insure, refusing to continue to insure, limiting coverage available to, charging a reinstatement fee for, or increasing the premiums for automobile insurance for an individual who was an eligible person solely because the individual failed to maintain insurance for a vehicle owned by the individual during the six-month period preceding the application if the individual provided the insurer a certified statement. The individual applying for insurance would have to certify on a form provided by the insurer that the individual was a prisoner in a correctional facility and was released from imprisonment within six-months before the application for insurance, and that to the individual's knowledge, the vehicle was not driven or moved during the six-months preceding the application. "Correctional facility" would mean a facility or institution which is maintained and operated by the Department of Corrections.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would reduce recidivism rates by erasing a barrier formerly incarcerated individuals face when reentering society. According to testimony before the Senate Committee on Finance, Insurance, and Consumer Protection, ex-convicts may be required to obtain employment. As access to public transportation is limited throughout the State, many employees use personal vehicles to get to and from work. Michigan law requires drivers to purchase and maintain auto insurance to register and drive a vehicle. This puts parolees at a disadvantage. Unable to afford auto insurance, they may drive without it. Testimony also indicates that law enforcement will alert an individual's parole officer if they catch that parolee driving without auto insurance. Violations of parole terms can result in parolees being re-incarcerated, their parole terms lengthened, or stricter parole conditions. The bill would make the purchase of car insurance more achievable for ex-convicts by prohibiting auto insurance agents from penalizing them for insurance lapses, eliminating these issues.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government and no fiscal impact on local units of government. An insurer who violated the bill would be afforded a hearing before the Director of the Department of Insurance and Financial Services. The cost of hearings and associated administrative expenses likely would be sufficiently met by existing appropriations. If the Director determined that a violation of the Act had occurred, the Director could impose a civil fine of not more than \$1,000 per violation, or of not more than \$5,000 if it were determined that the insurer should have reasonably known the insurer was in violation of the Act. There is a \$50,000 cap on civil fines ordered by the Director for these violations. The revenue collected from civil fines is distributed to local libraries and county law libraries.

Fiscal Analyst: Joe Carrasco, Jr.
Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.