



Senate Fiscal Agency
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BILL ANALYSIS

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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: 2-22-24

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.

Proposed MCL 500.2116c

BRIEF 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, it is often not possible for many individuals to maintain coverage while incarcerated, and once released, these individuals need reliable methods of transportation to fulfill parole or release requirements such as securing employment. 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.

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.
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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.