

RAISE FINE FOR OPERATING UNINSURED VEHICLE

**House Bill 5045 as introduced
First Analysis (11-10-03)**

**Sponsor: Rep. Gary Woronchak
Committee: Insurance**

THE APPARENT PROBLEM:

In Michigan, motor vehicles and motorcycles cannot be operated without certain specified minimum insurance coverage. Automobiles must carry the minimum no-fault coverages; motorcycles are required to carry liability coverage for property damage, bodily injury, or death inflicted on others. Under the Insurance Code, the failure to carry mandatory insurance is a misdemeanor punishable by imprisonment for up to one year and/or a fine of not less than \$200 or more than \$500. While state regulators say that no reliable hard data is available, it is generally thought that a significant number of Michigan drivers do drive without insurance. The current fine was placed in the Insurance Code in 1980. Some people believe that it is an insufficient disincentive and should be revised upwards, at least to reflect more than 20 years of inflation.

THE CONTENT OF THE BILL:

The bill would amend the Insurance Code to increase the fine for operating a motor vehicle or motorcycle without mandatory insurance. The code currently provides for a fine of not less than \$200 or more than \$500. The bill would provide for a fine of not less than \$400 or more than \$1,000.

MCL 500.3102

FISCAL IMPLICATIONS:

The House Fiscal Agency, while noting there are no statewide data on the frequency of fines for operating without insurance, says the bill could increase fine revenue going to local libraries, which are the constitutionally-designated recipients of state penal fines. (HFA analysis dated 10-28-03)

ARGUMENTS:

For:

The current fines in the Insurance Code for driving without mandatory insurance have not been changed

in over 20 years. The bill would increase them to keep pace with inflation. People ought to obey the law. If fines are not a sufficient disincentive to flout the law, they should be increased.

Response:

Legislation enacted earlier this session significantly increased the penalties for operating a motor vehicle or motorcycle without insurance. The so-called driver responsibility fees created by Public Act 165 of 2003 levied a \$500 per year fee for two years (a \$1,000 penalty) to be assessed against a person found guilty of driving without insurance. (A \$250 per year fee would be assessed for a person guilty of failing to produce proof of insurance.) Is it really necessary to increase the penalties in the Insurance Code as well?

Against:

Some people believe that any increase in the Insurance Code's penalties for not carrying mandated insurance coverage ought, at the very least, to be accompanied by other changes to the state's insurance system. Auto insurance in Michigan, while providing excellent coverage, is expensive. For many, auto insurance is unaffordable or very nearly so. Some would argue that before increasing the penalties on already financially overburdened drivers, the legislature should investigate the way premiums are established (including the controversial use of credit scoring). Others say that the state and insurance companies need to develop a better system for determining when a driver has insurance in force (and when a driver drops coverage simply by failing to make payments).

Response:

It remains the case that insurance is mandatory. The law ought to be enforced effectively if it is to be respected. The current penalties in the Insurance Code are outdated. If drivers are allowed to operate without insurance (because there is not sufficient legal incentive to buy it), everyone else in the insurance system suffers as a result.

POSITIONS:

The Office of Financial and Insurance Services is neutral. (10-30-03)

The Insurance Institute of Michigan is neutral. (10-29-03)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.