



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 4177 (as reported with amendment)  
Sponsor: Representative Dudley Spade  
House Committee: Insurance  
Senate Committee: Banking and Financial Institutions

Date Completed: 6-6-07

### **RATIONALE**

Under the Insurance Code, an insurance company may require an applicant to provide proof that insurance was maintained with respect to any vehicle that was owned by a person and driven or moved during the six-month period immediately preceding an application for coverage. Evidently, members of the military sometimes allow their insurance coverage to lapse while they are on active duty and subsequently have trouble renewing or receiving auto insurance coverage. Some people have suggested that a person serving on active duty in the U.S. Armed Forces should not have to worry about auto insurance while he or she is serving, and that an insurer should not be able to use this criterion when underwriting automobile insurance for certain veterans.

### **CONTENT**

**The bill would amend the Insurance Code to prohibit an automobile insurer from refusing to insure, limiting coverage available to, charging reinstatement fees for, or increasing the premiums for automobile insurance solely because a person failed to maintain required insurance during the six-month period immediately preceding application if the coverage lapsed because the person was on active duty in the U.S. Armed Forces.**

Under the Code, as a condition of maintaining its certificate of authority, an insurer may not refuse to insure, refuse to continue to insure, or limit coverage available to an eligible person for automobile insurance, except in accordance with

underwriting rules established pursuant to the Code.

The Code also allows affiliated insurers to establish underwriting rules so that each affiliate provides automobile insurance only to certain eligible people, and allows insurers to establish separate rating plans so that certain eligible people are provided auto insurance under one rating plan and other eligible people are provided auto insurance under another rating plan. Underwriting rules must be established to define the applicable rating plan.

In each case, the underwriting rules may be based only on criteria specified in the Code. These criteria include failure of a person to provide proof that insurance required by Section 3101 was maintained in force with respect to any vehicle owned and operated by the person or by a member of his or her household during the six-month period immediately preceding application or renewal of the policy.

(Section 3101 requires an owner or registrant of a motor vehicle required to be registered in the State to maintain security for payment of benefits under personal protection insurance, property protection insurance, and residual liability insurance during the period the motor vehicle is driven or moved upon a highway.)

Under the bill, an automobile insurer could not refuse to insure, refuse to continue to insure, limit coverage available to, charge reinstatement fees for, or increase the premiums for automobile insurance solely because a person failed to maintain

insurance required by Section 3101 for a vehicle he or she owned during the six-month period immediately preceding application, if the person certified on a form provided by the insurer that the lapse in coverage was because the person was on active duty in the U.S. Armed Forces for at least 30 consecutive days and the vehicle was not driven or moved during the six-month period immediately preceding application or during the period of time the insurance was not maintained, whichever was shorter.

This provision would apply only to an eligible person. (Under the Code, for auto insurance, "eligible person" means a person who is an owner or registrant of an automobile registered or to be registered in this State or who holds a valid Michigan driver license. The term does not include a person whose driver license is under suspension or revocation; a person who is not required to maintain insurance under Section 3101 unless he or she intends to reside in Michigan for 30 days or more; a person whose vehicle fails to meet motor vehicle safety standards under the Michigan Vehicle Code; a person whose auto insurance policy has been cancelled for nonpayment of premium within the preceding two-year period, unless the premium due is paid before the policy is issued or renewed; a person who fails to obtain or maintain membership in a group, club, or organization, if required by the insurer; a person whose driving record for the preceding three-year period has accumulated more than six insurance eligibility points; or a person who has been convicted of an offense specified in the Insurance Code.)

MCL 500.2118 et al.

## **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 ensure that a person serving in the U.S. Armed Forces did not have to worry about his or her automobile insurance coverage when he or she was called to active duty, and would not be penalized for allowing his or her insurance to lapse. The bill would prevent someone from misusing

its provisions by requiring a person to certify on a form that a lapse in coverage was because he or she was on active duty and by requiring a person to be on active duty for at least 30 days to qualify.

**Response:** There are many other people in the State who could be helped by the bill's exemptions. People who have certain medical conditions or face serious economic hardship also should be given similar accommodation.

Legislative Analyst: Craig Laurie

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt  
Maria Tyszkiewicz

H0708\4177a

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.