

Legislative Analysis



PROOF OF VEHICLE INSURANCE: PAPERLESS VERIFICATION SYSTEM

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 4633 and 4634
Sponsor: Rep. Bert Johnson
Committee: Insurance

Complete to 10-16-09

A SUMMARY OF HOUSE BILLS 4633 AND 4634 AS INTRODUCED 3-19-09

House Bill 4634 would amend the Michigan Vehicle Code (MCL 257.328) to require the implementation of a paperless verification system for motor vehicle insurance coverage by October 1, 2009. Failure to provide evidence of motor vehicle insurance would continue to be a civil infraction, but the new paperless verification system would replace the paper certificates of insurance that now constitute evidence of insurance.

Law enforcement officers would use the new system to verify that a vehicle is insured, and the system would have to automatically provide an automated verification of each query from law enforcement.

House Bill 4633 would amend the Insurance Code (MCL 500.3101a) so that the automated paperless verification system would replace the requirement that insurance companies provide certificates of insurance for each insured vehicle. The Secretary of State would be required to accept the automatic verification instead of the paper certificates of insurance. The bill would also require insurance companies to provide certain information to the State Police necessary to implement the paperless verification system.

The two bills are tie-barred, meaning neither could take effect unless both were enacted.

Following is a more detailed explanation of House Bill 4634.

The Department of State Police would be required to establish, implement, and maintain a paperless verification system for motor vehicle insurance coverage authorized by the National Law Enforcement Telecommunications System (NLETS). The system would have to be designed with the goal of identifying motor vehicles being operated on highways in the state without required insurance coverage. It would have to contain the following characteristics:

- Provide quick, accurate, and current access to motor vehicle insurance coverage information for those charged with enforcement of insurance requirements, including (1) the daily gathering of unparsed data on coverage by auto insurers; (2) the daily transmittal of data from auto insurers to NLETS in a manner determined by the State Police; and (3) the State Police's method of confirming

transmittal of data elements required to confirm active insurance status for registration to the Department of State. The term "unparsed data" is defined as data that are not electronically sorted by jurisdiction.

- Protect the privacy of motor vehicle owners by ensuring that names or addresses could not be maintained or used to obtain access to insurance status.
- Protect the security and integrity of information gathered and transmitted by insurance companies.
- Allow the Director of State Police Director to automatically create and mail a citation for a violation of failing to provide evidence of insurance to the owner of a vehicle in other states, foreign countries, or foreign provinces by means of the NLETS connection to national law enforcement data.

The Department of State would be required to provide the Department of State Police existing data submitted to SOS in an electronic form not more than 30 days after DSP notifies SOS it is prepared to receive the data, and no later than October 1, 2009.

The bill also would create an Insurance Verification Fund within the State Treasury. Money in the fund at the close of a fiscal year would remain in the fund and not lapse to the General Fund. Money in the fund would be spent by the Department of State Police only to establish, implement, and maintain the paperless verification system.

FISCAL IMPACT:

House Bill 4633 would have an indeterminate fiscal impact on the Department of State Police and local law enforcement agencies. Under the new Section 520A(2), the State Police would be charged with establishing and implementing a new paperless verification system authorized by NLETS. The State Police estimates that first year setup costs for this system would be \$500,000 with an additional \$2 million in maintenance and operating costs for the first year and each additional year thereafter. It is not clear whether local law enforcement agencies would have the capabilities to directly interface with this paperless verification system or if additional hardware and software upgrades would be necessary, thus possibly adding costs for local law enforcement agencies to implement these upgrades.

The State Police may also incur other administrative costs for various duties such as transmitting and receiving the unparsed data with insurers and the Department of State, creating and mailing citations for violations to owners of motor vehicles in other states and foreign countries, and administering the Insurance Verification Fund as created in the new Section 520B(1) in the bill. It is not known at this time how much money will be collected for the Insurance Verification Fund or how much funding would be available through this fund to maintain the paperless verification system.

House Bill 4634 would have an indeterminate fiscal impact for the Department of State Police. Some administrative costs may be incurred as a result of having to notify insurers of the implementation of the paperless verification system and with receiving unparsed data from insurers and entering the data into the system.

Further, the Department of State may realize added administrative costs in implementing the electronic system. However, any added administrative costs would be negligible.

Legislative Analyst: Chris Couch
Fiscal Analysts: Jan Wisniewski
Ben Gielczyk

■ 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.