

Legislative Analysis



PROOF OF AUTO INSURANCE

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House Bill 4995

Sponsor: Rep. Aric Nesbitt

Committee: Insurance

Complete to 2-25-14

A SUMMARY OF HOUSE BILL 4995 AS INTRODUCED 9-18-13

Under the Insurance Code, generally speaking, auto insurance coverage is mandatory for the operation of a motor vehicle. Under the Vehicle Code, drivers must show proof of insurance at the request of a police officer. The Vehicle Code also describes the manner in which proof of insurance is to be provided to the Secretary of State when registering a motor vehicle. Under both statutes, auto insurance companies must regularly transmit information about the vehicles they insure to the Department of State. House Bill 4995 would amend the Vehicle Code regarding this system in the following ways.

Notice of Cancellation if Vehicle not Insured

****** If (1) the transmission to the SOS of vehicle policy information does not show that a registered vehicle is covered by a policy of insurance, and (2) the vehicle identification number of that vehicle is not transmitted within 30 days after the SOS receives that initial transmission, then (3) the Secretary of State must send a notice to the registrant of a motor vehicle that the registration will be canceled unless the registrant presents a valid proof of vehicle insurance at a branch office no later than 10 days after the date of the notice.

"Vehicle policy information" refers to the information an automobile insurance company must supply to the Secretary of State. An insurer must send the SOS for each of its policies: the automobile insurer's name, the named insured, the named insured's address, the vehicle identification number for each such vehicle listed on the policy, and the policy number. The information is to be sent in a format and on a timeline specified by the SOS, although not more often than every 14 days. The Secretary of State must accept as proof of vehicle insurance a transmission of the insured vehicle's vehicle identification number.

Make Vehicle Insurance Policy Info Available to State Police

****** Under the bill, the SOS must make the vehicle policy information from insurance companies available to the State Police for the purpose of determining whether evidence exists that a motor vehicle is insured.

Currently, policy information submitted by an insurance company and received by the Secretary of State is confidential, is not subject to the Freedom of Information Act, and is not to be disclosed to any person except the Department of Community Health (for

certain specified purposes) or under an order by a court of competent jurisdiction in connection with a claim or fraud investigation or prosecution.

Electronic Proof of Insurance/No Driver Civil Infraction

** Also under the bill, if policy information for the motor vehicle was available in electronic format to a police officer at the time the officer requests proof of insurance from a motorist, then the owner or operator of the vehicle would not be responsible for a civil infraction for failure to produce evidence of insurance.

FISCAL IMPACT:

The bill could pose substantial administrative costs, including costs of data storage, analysis, and tracking, to the Department of State. The Department reports that at present, each of the 122 insurers in Michigan transmits an electronic report on all of the vehicle identification numbers (VINs) on which it provides coverage. This data file of about six million VIN numbers is then matched with State VIN records on the Department's mainframe system to provide a flag of whether a VIN has an electronic insurance verification (EIV), and the data is refreshed every two weeks when the insurers send a new file. Branch offices query the mainframe system to determine whether an EIV exists for a given VIN. The Department estimates that about 20 percent of VINs presented for registration at branch offices have EIV indicators of "no electronic insurance verification," thus requiring the individual to provide a paper certificate of insurance; based on several data snapshots, the Department estimates that as much as 15 percent of these paper certificates may be invalid. Under the bill, the Department of State could incur substantial costs of maintaining and tracking EIV records for 30-plus days, sending notices and administering potential sanctions to all registrants whose vehicles do not have EIV indicators, and, depending on how the requirement was implemented, making electronic insurance information available to the State Police. The bill would have no fiscal impact on local units of government.

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