

# Legislative Analysis



## AUTO INSURANCE EXCEPTION FOR PRISONERS

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

**Senate Bills 282 (S-2), 708, and 709 as reported**

**Sponsor: Sen. Sylvia Santana**

**House Committee: Insurance and Financial Services**

**Senate Committee (SB 282): Finance, Insurance, and Consumer Protection**

**Senate Committee (SBs 708 and 709): Committee of the Whole**

**Complete to 12-7-24**

Analysis available at  
<http://www.legislature.mi.gov>

## SUMMARY:

**Senate Bill 282** would amend the Insurance Code to prohibit automobile insurers in Michigan from taking certain actions against an individual solely because the individual failed to maintain insurance for a vehicle during the six-month period preceding the application if the individual provides a certified statement of the following with the application for insurance:

- That they were a prisoner in a correctional facility (a facility or institution maintained and operated by the Michigan Department of Corrections).
- That they were released from imprisonment within six months before the application.
- That, to their knowledge, the vehicle was not driven or moved during the preceding six months.

If an applicant provides a certified statement meeting these requirements with their application for insurance, the insurer would be prohibited from doing any of the following:

- Refusing to insure or to continue to insure the individual.
- Limiting the coverage available.
- Charging a reinstatement fee.
- Increasing automobile insurance premiums.

Proposed MCL 500.2116c

**Senate Bills 708 and 709** would make complementary changes to the Insurance Code, each bill adding an exception for circumstances covered by Senate Bill 282 to provisions that allow underwriting rules to be based on an applicant's failure to provide proof of vehicle insurance during the six-month period preceding the application.

The bills are tie-barred to Senate Bill 282 and cannot take effect unless it is also enacted.

MCL 500.2120 (SB 708)

MCL 500.2118 (SB 709)

## BACKGROUND AND DISCUSSION:

The Insurance Code requires the owner of a registered motor vehicle to maintain coverage for that vehicle or they can be subjected to various penalties. These penalties include some actions that can be taken by insurers, including raising premiums and charging a reinstatement fee.

Supporters of the bills argued that an inability to obtain insurance can be a major barrier to reentering society for the formerly incarcerated and can lead to issues, including parole violations. They contend that the bills would remove unnecessary barriers in this process.

#### **FISCAL IMPACT:**

Senate Bills 282, 708, and 709 would not have a direct fiscal impact on any units of state or local government. However, section 150 of the Insurance Code provides for recourse and penalties in the event of a violation of the code. Under those provisions, violators have the opportunity for an administrative hearing, and the DIFS director has the ability to levy a civil fine of \$1,000 for each violation, or \$5,000 if the individual knew or reasonably should have known that they were violating the Insurance Code. Civil fine payments under the Insurance Code are capped at \$50,000, and any revenue collected must be deposited to the general fund. To the extent that violations of the new provision occur, additional general fund revenue may be realized.

#### **POSITIONS:**

The following entities indicated support for the bills (11-14-24):

- Department of Insurance and Financial Services
- CPAN

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