



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

## BILL ANALYSIS



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

Senate Bills 819 and 820 (as introduced 2-13-18)  
Senate Bill 1028 (as introduced 5-23-18)  
Sponsor: Senator Dale W. Zorn  
Committee: Insurance

Date Completed: 6-6-18

**CONTENT**

**Senate Bill 819 would enact the "Real-Time Electronic Insurance Verification Act" to do the following:**

- Require the Director of the Department of Insurance and Financial Services (DIFS) to promulgate rules establishing a system for online verification of evidence of automobile insurance.
- Require the system to send requests to insurers for verification of evidence of insurance online.
- Provide that the system would have to require insurers to provide information about the issuance, renewal, cancelation, and nonrenewal of auto insurance immediately, or effectively in real time.
- Require the system to receive vehicle liability insurance data file transfers from insurers to identify uninsured vehicles and facilitate requests to insurers for verification of evidence of insurance online.
- Provide that the system could not require insurers to verify evidence of insurance online for vehicles insured under commercial auto insurance.
- Provide that the system could not require verification of vehicles owned by the United States or the State, vehicles registered in another jurisdiction, and other categories of vehicles.
- Require automobile insurers to establish and maintain a system to perform the functions required by the Act, and to provide access to auto insurance policy status information as required by rules.
- Require the verification system to be fully operational by July 1, 2019.
- Require the DIFS Director to post a certification on the Department website when the system was operational.

**Senate Bill 820 would amend the Insurance Code to do the following:**

- Provide that a requirement for an insurer to give the Secretary of State (SOS) information about an auto insurance policy would not apply after the DIFS Director certified that the electronic insurance verification system was operational.
- Delete a requirement for an insurer to provide two certificates of insurance in conjunction with the issuance of an automobile insurance policy.

**Senate Bill 1028 would amend the Michigan Vehicle Code to provide that, after the DIFS Director certified that the electronic insurance verification system was operational, requirements for the Secretary of State to accept a transmission of vehicle policy information as proof of insurance would not apply, and the SOS could access that system to confirm proof of vehicle insurance.**

Senate Bills 819 and 820 are tie-barred. Senate Bill 1028 is tie-barred to Senate Bill 819.

Senate Bill 819 would take effect on January 1, 2019. Senate Bills 820 and 1028 would take effect 90 days after being enacted.

### **Senate Bill 819**

#### **System Establishment**

The Director of the Department of Insurance and Financial Services would be required to promulgate rules to establish a system for online verification of evidence of automobile insurance.

The Department could contract with one or more private service providers that had successfully implemented similar systems in other states, to assist in establishing and maintaining the system.

The verification system would have to be installed and fully operational by July 1, 2019, following an appropriate testing and pilot period. The DIFS Director would have to post a certification on the Department website stating that the system was operational when it was.

#### **System Requirements**

The verification system would have to send requests to insurers for verification of evidence of insurance online and using services established by the insurers, in compliance with the specifications and standards of the Insurance Industry Committee on Motor Vehicle Administration (IICMVA), with enhancements, additions, and modifications as required by the Department. The system would have to require insurers to provide information about the issuance, renewal, cancelation, and nonrenewal of automobile insurance immediately, or effectively in real time.

The verification system would have to receive motor vehicle liability insurance data file transfers from insurers under specifications and standards established by DIFS to identify automobiles that were not covered by a liability insurance policy and to facilitate requests to insurers for verification of evidence of insurance online.

The system would have to include information that would enable DIFS to make inquiries to insurers about evidence of insurance that was consistent with industry standards and IICMVA recommendations, specifications, and standards by using multiple data elements for greater matching accuracy, with enhancements, additions, and modifications as required by the Department.

The verification system would have to include appropriate provisions to secure its data against unauthorized access. The Department would have to maintain a historical record of the system data for six to 12 months after the date of a request or response.

In addition, the system would have to assist in the identification of uninsured motorists in the most effective way possible.

The system could not require insurers to verify evidence of insurance online for vehicles insured under commercial auto coverage. The Department would have to require insurers of those vehicles to provide liability insurance data file transfers to it for the vehicles, but could not require vehicle identification numbers (VINs) for nonvehicle specific policies or if the VIN were not captured by the insurer.

The system also could not require the verification of any of the following:

- A vehicle owned and operated by the United States or an agency of the U.S. or of Michigan or a political or governmental subdivision of the State.
- A vehicle that was subject to the supervision and regulation of the Federal Motor Carrier Safety Administration or the Public Service Commission and for which the owner or operator had filed evidence of financial responsibility, under which the liability was not less than that required of the operator of a motor vehicle under the Insurance Code.
- A vehicle covered by a certificate of self-insurance issued by DIFS.
- A vehicle owned by a licensed motor vehicle dealer and held in inventory that was covered by a blanket liability insurance policy or commercial auto liability insurance policy.
- A vehicle properly registered in another jurisdiction and not legally required to be registered under the Vehicle Code.

The verification system could be used only for verification of evidence of mandatory automobile insurance. It would have to be accessible to authorized personnel of DIFS, the Department of State, the Department of Health and Human Services, the courts, law enforcement personnel, and any other entities authorized by the State as permitted by State or Federal privacy laws. The system also would have to be interfaced, whenever appropriate, with existing State systems.

#### Insurer Responsibilities

An insurer that issued automobile liability insurance policies in the State would be required to do the following:

- Establish and maintain a system to perform the functions required to be performed under the proposed Act, including the ability to respond within the time period prescribed by IICMVA specifications and standards.
- Provide access to automobile insurance policy status information as required by rules promulgated under the Act.
- Respond to a request for verification of automobile insurance if the request were for a date that was within six months before the date of the request.

An insurer could use the services of a third party vendor to establish and maintain the insurance verification program required under the Act.

### **Senate Bill 820**

The Insurance Code requires an insurer, in conjunction with the issuance of an automobile insurance policy, to provide two certificates of insurance for each insured vehicle. The insurer must mark one policy as the Secretary of State's policy, which the policyholder must file with the SOS when applying for a vehicle registration. The bill would delete these requirements.

The Code also requires the insurer to give the insured one certificate of insurance for each insured vehicle. For private passenger nonfleet automobiles listed on the policy, the insurer must give the Secretary of State the insurer's name, the name and address of the insured, the VIN for each vehicle listed on the policy, and the policy number.

Under the bill, the requirement for an insurer to provide this information to the SOS would not apply after the DIFS Director certified, by a certification posted on the Department website, that the electronic insurance verification system was operational.

Currently, until December 31, 2018, the SOS must provide the policy information to the Department of Health and Human Services as required for it to comply with Public Act 593 of

2006 (which concerns the sharing of health care information for the Department to determine whether a health coverage recipient is also a Medicaid recipient). Under the bill, this requirement would apply until December 31, 2018, or until the information was no longer supplied to the SOS, as provided above, whichever was earlier.

A person who supplies false information to the SOS under these provisions or who issues or uses an altered, fraudulent, or counterfeit certificate of insurance is guilty of a misdemeanor punishable by imprisonment for up to one year, a maximum fine of \$1,000, or both. The bill would extend this penalty to a person who failed to supply information to the SOS.

### **Senate Bill 1028**

The Michigan Vehicle Code requires an application for renewal of a motor vehicle registration to be accompanied by proof of vehicle insurance.

The Code also requires the SOS to accept as proof of insurance a transmission of the applicant's policy information for an insured vehicle. Under the bill, this requirement would not apply after the DIFS Director certified that the electronic insurance verification system was operational. After the certification was posted, the SOS could access that system to confirm proof of vehicle insurance.

MCL 500.3101a (S.B. 820)  
257.227 (S.B. 1028)

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

#### **Senate Bill 819**

The bill would have an indeterminate but significant negative fiscal impact on State government. The Department of Insurance and Financial Services would be responsible for establishing and maintaining the proposed verification system in accordance with the standards and requirements described in the bill. The system would be required to be accessible by State and local entities. Estimates for the cost of implementing and maintaining the proposed system are currently unavailable, as expenditures would be closely related to the specific system design and level of implementation across departments.

The bill would likely have a minor positive fiscal impact on local government due to the potential savings in administrative and staffing costs associated with the current insurance verification process. However, these savings could be offset by implementation and technology investment costs in those jurisdictions that elected to use the system

#### **Senate Bill 820**

The bill would have no fiscal impact on the State and could have a negative fiscal impact on local government. An increase in misdemeanor prosecutions and convictions could increase resource demands on law enforcement, court systems, community supervision, and jails. Any increased fine revenue would be dedicated to public libraries.

#### **Senate Bill 1028**

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

Fiscal Analyst: Ryan Bergan  
Joe Carrasco  
Elizabeth Raczkowski

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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.