



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



BILL ANALYSIS

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

Senate Bills 708 and 709 (as introduced 2-7-24)

(Senate-passed version)

Sponsor: Senator Sylvia Santana

Committee: Committee of the Whole

Date Completed: 2-14-24

CONTENT

Senate Bills 708 and 709 would amend the Insurance Code to specify that automobile insurers' underwriting rules concerning an individual's failure to maintain insurance coverage during the six-month period before application would not apply to an individual who had a lapse in coverage due to incarceration.

The bills are tie-barred, and each bill is tie-barred to Senate Bill 282, which would amend the Insurance Code to specify that an automobile insurer could not refuse to insure or modify coverage and costs of insurance solely because of an individual's failure to maintain insurance while incarcerated.

Senate Bill 708

The Code 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 based on eligibility. Underwriting rules must be established to define the applicable rating plan. The underwriting rules may be based only on criteria specified by the Code. These criteria include failure of a person to provide proof that insurance was maintained by the person or member of his or her household during the six-month period immediately preceding application or renewal of the policy except for a lapse in coverage for an individual performing active duty in the armed forces or a lapse before January 1, 2022, for not maintaining personal protection insurance and personal property insurance. Under the bill, this provision also would not apply to a failure to maintain insurance while incarcerated as proposed by Senate Bill 282 (S-1).

Senate Bill 709

Additionally, as a condition of maintaining its certificate of authority, an insurer must not refuse to insure or limit coverage available to an eligible person in accordance with the underwriting rules of the Code described above, among other criteria. Under the bill, an insurers' underwriting rules concerning an individual's failure to maintain insurance would not apply to a failure to maintain insurance while incarcerated as proposed by Senate Bill 282 (S-1).

MCL 500.2120 (S.B. 708)
500.2118 (S.B. 709)

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on State government and no fiscal impact on local units of government. An insurer who violated the provisions of Senate Bill 282 (S-1) would be afforded a hearing before the Director of the Department of Insurance and Financial Services. The cost of hearings and associated administrative expenses likely would be

sufficiently met by existing appropriations. If the Director determined that a violation of the Act had occurred, the Director could impose a civil fine of not more than \$1,000 per violation, or of not more than \$5,000 if it were determined that the insurer should have reasonably known it was in violation of the Code. There is a \$50,000 cap on civil fines ordered by the Director for these violations. The revenue collected from civil fines is distributed to local libraries and county law libraries.

Fiscal Analyst: Nathan Leaman

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