

# SENATE BILL No. 7

January 15, 2019, Introduced by Senator LUCIDO and referred to the Committee on Insurance and Banking.

A bill to establish a system for online verification of automobile insurance; to require automobile insurers to provide policy information for the online verification system; to provide for the powers and duties of state governmental officers and entities; to provide vehicle registration sanctions for the failure to maintain automobile insurance; to impose fees for vehicle registration reinstatement; and to require the promulgation of rules.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1. This act shall be known and may be cited as the  
2 "vehicle insurance verification act".

3           Sec. 2. As used in this act:

4           (a) "Automobile insurance" means insurance required under  
5 section 3101 or 3103 of the insurance code of 1956, 1956 PA 218,

1 MCL 500.3101 and 500.3103.

2 (b) "Commercial auto coverage" means any coverage provided to  
3 an insured, regardless of the number of vehicles or entity covered,  
4 under a commercial coverage form and rated from a commercial manual  
5 approved by the department.

6 (c) "Department" means the department of insurance and  
7 financial services, unless expressly stated otherwise.

8 (d) "IICMVA" means the Insurance Industry Committee on Motor  
9 Vehicle Administration.

10 (e) "Online" means through the internet, the World Wide Web,  
11 or a similar proprietary or electronic system based on a  
12 telecommunication provider, as that term is defined in section 102  
13 of the Michigan telecommunications act, 1991 PA 179, MCL 484.2102.

14 Sec. 3. (1) The department shall promulgate rules under the  
15 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to  
16 24.328, to establish a system for online verification of evidence  
17 of automobile insurance. The verification system must do all of the  
18 following:

19 (a) Send requests to insurers for verification of evidence of  
20 insurance online and using services established by the insurers, in  
21 compliance with the specifications and standards of the IICMVA,  
22 with enhancements, additions, and modification as required by the  
23 department.

24 (b) Include appropriate provisions to secure its data against  
25 unauthorized access. The department shall maintain a historical  
26 record of the system data for 6 to 12 months after the date of a  
27 request or response.

1 (c) Receive motor vehicle liability insurance data file  
2 transfers from insurers under specifications and standards  
3 established by the department to identify automobiles that are not  
4 covered by a liability insurance policy and to facilitate requests  
5 to insurers for verification of evidence of insurance online.

6 (d) Include information that will enable the department to  
7 make inquiries to insurers about evidence of insurance that is  
8 consistent with insurance industry and IICMVA recommendations,  
9 specifications, and standards by using multiple data elements for  
10 greater matching accuracy, specifically the National Association of  
11 Insurance Commissioners insurance company code, the vehicle  
12 identification number, the policy number, or elements as described  
13 in the specifications and standards of the IICMVA, with  
14 enhancements, additions, and modifications as required by the  
15 department. The department shall not request information under this  
16 subdivision more frequently than every 7 days.

17 (e) Not require insurers to verify evidence of insurance  
18 online for vehicles insured under commercial auto coverage.  
19 However, the department shall require insurers of vehicles insured  
20 under commercial auto coverage to provide liability insurance data  
21 file transfers to the department for the vehicles, but shall not  
22 require vehicle identification numbers for nonvehicle specific  
23 policies or if the vehicle identification number is not captured by  
24 the insurer.

25 (f) Not require the verification of any of the following:

26 (i) A motor vehicle owned and operated by the United States or  
27 an agency of the United States or of this state or a political or

1 governmental subdivision of this state.

2 (ii) A motor vehicle that is subject to the supervision and  
3 regulation of the Federal Motor Carrier Safety Administration or  
4 the public service commission and for which the owner or operator  
5 has filed evidence of financial responsibility, the liability under  
6 which is not less than that required of the operator of a motor  
7 vehicle under the insurance code of 1956, 1956 PA 218, MCL 500.100  
8 to 500.8302.

9 (iii) A motor vehicle covered by a certificate of self-  
10 insurance issued by the department.

11 (iv) A motor vehicle owned by a licensed motor vehicle dealer  
12 and held in inventory that is covered by a blanket liability  
13 insurance policy or commercial automobile liability insurance  
14 policy.

15 (v) A vehicle properly registered in another jurisdiction and  
16 not legally required to be registered under the Michigan vehicle  
17 code, 1949 PA 300, MCL 257.1 to 257.923.

18 (g) Assist in the identification of uninsured motorists in the  
19 most effective way possible.

20 (2) The system established under this section must be used  
21 only for verification of evidence of mandatory automobile  
22 insurance, must be accessible to authorized personnel of the  
23 department, the department of state, the department of health and  
24 human services, the courts, law enforcement personnel, and any  
25 other entities authorized by this state as permitted by privacy  
26 laws of this state or federal privacy laws, and must be interfaced,  
27 wherever appropriate, with existing state systems.

1           (3) The department may contract with 1 or more private service  
2 providers that have successfully implemented similar systems in  
3 other states to assist in establishing and maintaining the system  
4 as required under this section.

5           Sec. 4. (1) An insurer that issues automobile liability  
6 insurance policies in this state shall establish and maintain a  
7 system to perform the functions required to be performed by the  
8 insurer under this act, including the ability to respond within the  
9 time period prescribed by IICMVA specifications and standards.

10           (2) An insurer that issues automobile liability insurance  
11 policies in this state shall provide access to automobile insurance  
12 policy status information as required by the rules promulgated  
13 under this act.

14           (3) An insurer that issues automobile liability insurance  
15 policies in this state shall respond to a request for verification  
16 of automobile insurance if the request is for a date that is within  
17 6 months before the date of the request.

18           (4) An insurer may use the services of a third party vendor to  
19 establish and maintain the insurance verification program required  
20 under this act.

21           Sec. 5. (1) After the online insurance verification system  
22 established under this act is in operation, within 40 days after  
23 the registration or renewal or a registration of a motor vehicle in  
24 this state, and not less than every 45 days after the first  
25 verification, the department shall access the system to  
26 electronically verify whether the motor vehicle is covered by  
27 automobile insurance. If by using the system the department cannot

1 verify that the motor vehicle is covered by automobile insurance,  
2 the department shall send the owner or registrant a notice that  
3 complies with subsection (2). A notice under this subsection must  
4 be in writing and be mailed through the United States Postal  
5 Service to the owner's or registrant's last known address as  
6 reflected on the department of state's motor vehicle registration  
7 records.

8 (2) A notice under subsection (1) must notify the owner or  
9 registrant that fines may be levied for noncompliance and that the  
10 vehicle registration of the motor vehicle may be canceled 30  
11 calendar days after the date the notice is mailed unless the owner  
12 or registrant furnishes evidence of insurance in effect on the  
13 verification date, as prescribed by the department. The notice must  
14 require the owner or registrant to provide all of the following:

15 (a) A statement whether the motor vehicle was insured on the  
16 verification date stated in the request, and, if the vehicle was  
17 not insured, the reason.

18 (b) The name, address, National Association of Insurance  
19 Commissioners number, and telephone number of the insurer that  
20 insures the motor vehicle.

21 (c) The policy number of the policy under which the motor  
22 vehicle is insured.

23 (d) The effective date of the policy and the expiration date  
24 of the policy under which the vehicle is insured.

25 (e) The owner's or registrant's signature.

26 (f) Any additional information the department may require to  
27 verify compliance with automobile insurance requirements.

1           (3) Within 30 calendar days after the department mails a  
2 notice under subsection (1), the owner or registrant shall furnish  
3 the requested information to the department in a manner as  
4 prescribed by the department. The department may consider evidence  
5 of insurance in effect on the verification date, as prescribed by  
6 the department, to be a satisfactory response to the request for  
7 information.

8           (4) All of the following apply after a notice is mailed under  
9 subsection (1):

10           (a) If the owner or registrant responds within the required  
11 time and the response establishes that the motor vehicle was  
12 covered by automobile insurance on the verification date, the  
13 department shall indicate in its records that the owner or  
14 registrant is in compliance.

15           (b) If the owner or registrant responds within the required  
16 time and asserts that the motor vehicle did have automobile  
17 insurance coverage on the verification date but the response does  
18 not establish that the automobile insurance coverage existed, the  
19 department may seek to confirm the response by either using the  
20 online insurance verification system established under this act or  
21 furnishing necessary information to the insurer named in the  
22 response. An insurer that receives information under this  
23 subdivision shall within 30 calendar days inform the department  
24 whether on the verification date stated the motor vehicle was  
25 covered by automobile insurance issued by the insurer. If the  
26 attempt or attempts at confirmation under this subdivision  
27 establish that the motor vehicle was covered by automobile

1 insurance on the verification date, the department shall proceed as  
2 provided in subdivision (a).

3 (c) If an attempt or attempts at confirmation by the  
4 department under subdivision (b) fail to establish that the motor  
5 vehicle was covered by automobile insurance on the verification  
6 date, if the owner fails to respond to the notice within the  
7 required time, or if the owner responds that the motor vehicle did  
8 not have automobile insurance coverage on the verification date and  
9 does not give as a reason a circumstance under which the insurance  
10 was not required as provided in section 3101(1) of the insurance  
11 code of 1956, 1956 PA 218, MCL 500.3101, the owner is considered to  
12 have violated section 3101(1) of the insurance code of 1956, 1956  
13 PA 218, MCL 500.3101.

14 (5) For a first violation by a person as determined under  
15 subsection (4)(c), the department shall notify the department of  
16 state to cancel the registration of the motor vehicle. If the  
17 registration of a vehicle is canceled under this subsection, the  
18 department of state shall not issue a new registration for the  
19 vehicle unless the owner or registrant pays the department a fee of  
20 \$200.00, in a manner as prescribed by the department, and provides  
21 proof of existing automobile insurance as prescribed by the  
22 department.

23 (6) For a second or subsequent violation by a person as  
24 determined under subsection (4)(c) within the preceding 4 years,  
25 the department shall notify the department of state to cancel the  
26 registration of the vehicle. If the registration of a vehicle is  
27 canceled under this subsection, the department of state shall not



1 issue a new registration for the vehicle unless the owner or  
2 registrant pays the department a fee of \$400.00, in a manner as  
3 prescribed by the department, and provides proof of existing  
4 automobile insurance under a 6-month prepaid noncancelable policy  
5 as described in section 3101c of the insurance code of 1956, 1956  
6 PA 218, MCL 500.3101c.

7 (7) The fact that an owner or registrant acquires automobile  
8 insurance for or transfers or otherwise terminates ownership of the  
9 motor vehicle after the date of verification has no bearing on a  
10 cancelation under this section.

11 (8) After accepting a reinstatement fee and proof of insurance  
12 under subsection (5) or (6), the department shall, within 1  
13 business day, notify and forward any required documentation  
14 concerning the reinstatement of a motor vehicle registration to the  
15 department of state in the manner prescribed by the department of  
16 state.

17 (9) Within 30 calendar days after a vehicle registration is  
18 canceled under this act, the owner or registrant of the vehicle may  
19 appeal the cancelation to the department under chapter 4 of the  
20 administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to  
21 24.288. After exhausting the person's administrative remedies, the  
22 person has the right of judicial review as provided under chapter 6  
23 of the administrative procedures act of 1969, 1969 PA 306, MCL  
24 24.301 to 24.306. In a review under this subsection, the court  
25 shall not waive a reinstatement fee if the owner or registrant  
26 cannot produce evidence that valid automobile insurance was in  
27 effect on the date of verification.

1           (10) An operator of a motor vehicle for which the registration  
2 has been canceled under this act is subject to citation by a law  
3 enforcement officer in accordance with the Michigan vehicle code,  
4 1949 PA 300, MCL 257.1 to 257.923.

5           (11) Any fees required to be paid under this act are in  
6 addition to any fees that may apply under the Michigan vehicle  
7 code, 1949 PA 300, MCL 257.1 to 257.923.

8           Sec. 6. An insurer is immune from civil and administrative  
9 liability for good-faith efforts to comply with this act.

10          Sec. 7. The department shall deposit money from the fees  
11 collected under this act in a separate account and use the money  
12 for the following purposes:

13           (a) To implement, maintain, and enhance the online insurance  
14 verification system established under this act.

15           (b) If any money remains after making the expenditures under  
16 subdivision (a), to establish and maintain a statutorily created  
17 automobile insurance fraud prevention authority. However, if a bill  
18 of the 99th Legislature to create an automobile insurance fraud  
19 prevention authority is not enacted into law, the department shall  
20 deposit any money that remains after making the expenditures under  
21 subdivision (a) into the general fund of this state.

22          Sec. 8. (1) This act takes effect on January 1, 2020.

23           (2) The verification system required under this act must be  
24 installed and fully operational by July 1, 2020, following an  
25 appropriate testing and pilot period. The director of the  
26 department shall post a certification on the department website  
27 stating that the system is operational when the system is

1 operational.

2 (3) The department shall not take enforcement action under  
3 this act until the successful completion of the testing and pilot  
4 period under subsection (2).

5 Enacting section 1. This act does not take effect unless all  
6 of the following bills of the 100th Legislature are enacted into  
7 law:

8 (a) Senate Bill No. 8

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10 (b) Senate Bill No. 9

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