

Testimony of the Consumer Federation of America Before the Michigan Senate Committee on Insurance, Financial Services, and Consumer Protection In Support of SB 329-Eliminating Penalties for Lapse of Auto Insurance Policy

September 24th, 2025

Chair Cavanagh, members of the Committee:

My name is Michael DeLong and I am a Research and Advocacy Associate here on behalf of the Consumer Federation of America (CFA)¹, an association of local, state, and national consumer protection and advocacy groups. We strongly urge your support for SB 329, which would restore important consumer protections that were in place until 2022 and remove costly barriers that currently leave too many Michigan drivers trapped and unable to afford auto insurance.

Michigan, along with every state except New Hampshire, requires drivers to purchase and maintain auto insurance. The state therefore has a responsibility to make sure this product is affordable. And that includes preventing unfair and unnecessary penalties on residents who want to comply with the state insurance mandate. This bill directly addresses one of those unfair penalties. Under the 2019 law change to Auto No-Fault, a temporary rule was established that prohibited insurance companies

¹ The Consumer Federation of America has worked on making insurance more affordable and accessible and combatting unfair discrimination for decades. We have testified in numerous states and worked with consumer advocates, legislators, and insurance regulators across America. Our Director of Insurance Douglas Heller is a member of the Federal Advisory Committee on Insurance and a member of the Board that oversees California's low-cost auto insurance program. I am a funded Consumer Representative with the National Association of Insurance Commissioners (NAIC) and a member of the Nevada Division of Insurance's Property and Casualty Advisory Committee.

from charging drivers higher premiums based on the fact that they were coming to the market after having a break in insurance coverage or having always been uninsured.

Consumers who struggle to stay insured or even afford coverage because of the cost should not be forced to pay extra just to get back into the auto insurance market. That is a barrier that keeps drivers uninsured. DIFS has highlighted the fact that while the protection was in place, it helped thousands of drivers get into the insurance market. The problem is that the prohibition sunsetted in 2022, and insurers immediately started tacking on penalties for consumers with breaks in insurance coverage, even if it was for a time when they were not driving. And so, once again, low-income folks are shut out of the opportunity to get back in.

Paying auto insurance premiums is already a heavy lift for low-income drivers, many of whom need their car to get to work, but don't earn enough to pay their bills. As a result, many drivers miss an insurance payment and let their auto coverage lapse when they have to prioritize housing, food, and other expenses. As part of the other important work this committee is doing, we need to continue to find ways to make sure poor people are not always targeted with the highest premiums. One concrete step you can take today is to remove the barrier insurers put up when consumers try to get back in to the coverage they need.

Let me give you a concrete example of the penalty that is back in the auto insurance market, since the old protection was lifted back in 2022.

Earlier this week we conducted test quotes from the state's largest auto insurance company, comparing premiums offered to consumers who currently have auto insurance with premiums offered to consumers who currently do not have auto insurance. Everything else about our test subjects was precisely the same. Our research found that the company charges consumers with insurance \$709 for a six month policy but charges consumers with a break in their insurance coverage \$864 for the exact same policy. That's a 22% increase — a \$155 penalty — that gets added on to the premium for someone who struggled to maintain coverage in the first place. The current system is a recipe for trapping



people in uninsured status, which is not just illegal for them, but unsafe for everyone.

Above all, we support SB 329 because it means we will have more insured drivers on the road and fewer uninsured drivers. We think this bill is an important component of reforms needed to make the Michigan insurance market healthier and fairer, and we also want to emphasize that addressing the persistent unfairness in the marketplace and the continued high cost of coverage for so many Michigan drivers requires a package of industry accountability tools. We look forward to working with the sponsors and committee to further strengthen the broader package of market reforms you are working on.

Today, you have the opportunity to take a step toward creating a better auto insurance market, especially for those who most struggle to afford the coverage they need. We urge your support for SB 329. Thank you for hearing our testimony and please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

A handwritten signature in black ink that reads 'Michael DeLong'.

Michael DeLong
Research and Advocacy Associate
Consumer Federation of America

