



HOUSE BILL No. 5329

October 25, 1995, Introduced by Reps. DeHart, Kelly, Scott, Agee, Tesanovich, LaForge and Cherry and referred to the Committee on Conservation, Environment and Great Lakes.

A bill to amend section 3020 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended by Act No. 170 of the Public Acts of 1990, being section 500.3020 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3020 of Act No. 218 of the Public Acts
2 of 1956, as amended by Act No. 170 of the Public Acts of 1990,
3 being section 500.3020 of the Michigan Compiled Laws, is amended
4 to read as follows:

5 Sec. 3020. (1) A policy of casualty insurance, except
6 worker's compensation, including all classes of motor vehicle
7 coverage, shall not be issued or delivered in this state by an
8 insurer authorized to do business in this state for which a

1 premium or advance assessment is charged, unless the policy
2 contains the following provisions:

3 (a) That the policy may be canceled at any time at the
4 request of the insured, in which case the insurer shall refund
5 the excess of paid premium or assessment above the pro rata rates
6 for the expired time, except as otherwise provided in subsections
7 (2) and (3).

8 (b) That the policy may be canceled at any time by the
9 insurer by mailing to the insured at the insured's address last
10 known to the insurer or an authorized agent of the insurer, with
11 postage fully prepaid, a not less than 10 days' written notice of
12 cancellation with or without tender of the excess of paid premium
13 or assessment above the pro rata premium for the expired time.

14 (c) That the minimum earned premium on any policy canceled
15 pursuant to this subsection, other than automobile insurance as
16 defined in section 2102(2)(a) and (b), shall not be less than the
17 pro rata premium for the expired time or \$25.00, whichever is
18 greater.

19 (2) An insurer may file a rule with the commissioner provid-
20 ing for a minimum retention of premium for automobile insurance
21 as defined in section 2102(2)(a) and (b). The rule shall
22 describe the circumstances under which the retention shall be
23 applied and shall set forth the amount to be retained, which
24 shall be subject to the approval of the commissioner. The rule
25 shall include, but need not be limited to, the following
26 provisions:

1 (a) That a minimum retention shall be applied only when the
2 amount exceeds the amount which would have been retained had the
3 policy been canceled on a pro rata basis.

4 (b) That a minimum retention shall not apply to renewal
5 policies.

6 (c) That a minimum retention shall not apply when a policy
7 is canceled for the following reasons:

8 (i) The insured is no longer required to maintain security
9 pursuant to section 3101(1).

10 (ii) The insured has replaced the automobile insurance
11 policy being canceled with an automobile insurance policy from
12 another insurer and provides proof of the replacement coverage to
13 the canceling insurer.

14 (3) An insurer may provide for a short rate premium for
15 insurance on a motorcycle, watercraft, off-road vehicle, or
16 snowmobile. As used in this subsection:

17 (a) "Motorcycle" means that term as defined in section
18 3101.

19 (b) "Off-road vehicle" means an ORV as defined in section +
20 ~~of Act No. 319 of the Public Acts of 1975, being section~~
21 ~~257.160+~~ 81101 OF PART 811 (OFF-ROAD RECREATION VEHICLES) OF THE
22 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, ACT NO. 451
23 OF THE PUBLIC ACTS OF 1994, BEING SECTION 324.81101 of the
24 Michigan Compiled Laws.

25 (c) "Snowmobile" means that term as defined in section +
26 ~~Act No. 74 of the Public Acts of 1968, being section 257.150+~~

1 82101 OF PART 821 (SNOWMOBILES) OF ACT NO. 451 OF THE PUBLIC ACTS
2 OF 1994, BEING SECTION 324.82101 of the Michigan Compiled Laws.

3 (d) "Watercraft" means that term as defined in section ~~++~~
4 ~~of Act No. 160 of the Public Acts of 1976, being section~~
5 ~~281.1201~~ 80301 OF PART 803 (WATERCRAFT TRANSFER AND CERTIFICATE
6 OF TITLE) OF ACT NO. 451 OF THE PUBLIC ACTS OF 1994, BEING SEC-
7 TION 324.80301 of the Michigan Compiled Laws.

8 (4) Cancellation as prescribed in this section shall be
9 without prejudice to any claim originating before the
10 cancellation. The mailing of notice shall be prima facie proof
11 of notice. Delivery of written notice shall be equivalent to
12 mailing.

13 (5) A notice of cancellation, including a cancellation
14 notice under section 3224, shall be accompanied by a statement
15 that the insured shall not operate or permit the operation of the
16 vehicle to which notice of cancellation is applicable, or operate
17 any other vehicle, unless the vehicle is insured as required by
18 law.

19 (6) An insurer who wishes to provide for a short rate pre-
20 mium under subsection (3) shall file with the commissioner pursu-
21 ant to chapter 24 or 26 a rule establishing a short rate
22 premium. The rule shall describe the circumstances under which
23 the short rate shall be applied and shall set forth the amount or
24 percentage to be retained.