

**SUBSTITUTE FOR
HOUSE BILL NO. 5692**

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 3020 (MCL 500.3020), as amended by 1996
PA 77.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3020. (1) A policy of casualty insurance, except
2 worker's compensation AND MORTGAGE GUARANTY INSURANCE, including
3 all classes of motor vehicle coverage, shall not be issued or
4 delivered in this state by an insurer authorized to do business
5 in this state for which a premium or advance assessment is
6 charged, unless the policy contains the following provisions:

7 (a) That the policy may be canceled at any time at the
8 request of the insured, in which case the insurer shall refund
9 the excess of paid premium or assessment above the pro rata rates

1 for the expired time, except as otherwise provided in subsections
2 (2), (3), and (4).

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

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

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

22 (a) That a minimum retention shall be applied only when the
23 amount exceeds the amount ~~which~~ THAT would have been retained
24 had the policy been canceled on a pro rata basis.

25 (b) That a minimum retention ~~shall~~ DOES not apply to
26 renewal policies.

1 (c) That a minimum retention ~~shall~~ DOES not apply when a
2 policy is canceled for the following reasons:

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

5 (ii) The insured has replaced the automobile insurance
6 policy being canceled with an automobile insurance policy from
7 another insurer and provides proof of the replacement coverage to
8 the canceling insurer.

9 (3) Notwithstanding subsection (1), an insurer may issue a
10 noncancelable, nonrefundable, 6-month prepaid automobile insur-
11 ance policy in order for an insured to meet the registration
12 requirements of section 227a of the Michigan vehicle code, ~~Act~~
13 ~~No. 300 of the Public Acts of 1949, being section 257.227a of the~~
14 ~~Michigan Compiled Laws~~ 1949 PA 300, MCL 257.227A.

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

18 (a) "Motorcycle" means that term as defined in section
19 3101.

20 (b) "Off-road vehicle" means an ORV as defined in section
21 81101 of ~~part 811 (off-road recreation vehicles) of~~ the natural
22 resources and environmental protection act, ~~Act No. 451 of the~~
23 ~~Public Acts of 1994, being section 324.81101 of the Michigan~~
24 ~~Compiled Laws~~ 1994 PA 451, MCL 324.81101.

25 (c) "Snowmobile" means that term as defined in section 82101
26 of ~~part 821 (snowmobiles) of Act No. 451 of the Public Acts of~~
27 ~~1994, being section 324.82101 of the Michigan Compiled Laws~~ THE

HB5692, As Passed House, May 21, 1998

Sub. H.B. 5692 (H-3) as amended May 21, 1998

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1 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451,
2 MCL 324.82101.

3 (d) "Watercraft" means that term as defined in section 80301
4 of ~~part 803 (watercraft transfer and certificate of title) of~~
5 ~~Act No. 451 of the Public Acts of 1994, being section 324.80301~~
6 ~~of the Michigan Compiled Laws~~ THE NATURAL RESOURCES AND ENVIRON-
7 MENTAL PROTECTION ACT, 1994 PA 451, MCL 324.80301.

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

13 (6) 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 (7) An insurer who wishes to provide for a short rate pre-
20 mium under subsection (4) 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~~ IS applied and shall set forth the
24 amount or percentage to be retained.

25 (8) [A MORTGAGOR WHO PAYS PREMIUMS FOR MORTGAGE GUARANTY
26 INSURANCE SHALL BE ENTITLED TO THE NOTIFICATION INFORMATION
REQUIRED BY] THE

03923'97 * (H-3)

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2 THIS SUBSECTION:

3 (A) "MORTGAGE" MEANS AN EXTENSION OF CREDIT SECURED BY A
4 FIRST LIEN ON A SINGLE FAMILY RESIDENCE IN THIS STATE WHICH IS,
5 AT THE TIME OF THE EXTENSION OF CREDIT, INTENDED TO BE
6 OWNER-OCCUPIED.

7 (B) "MORTGAGEE" MEANS A PERSON THAT MAKES A MORTGAGE.

8 (C) "MORTGAGE GUARANTY INSURANCE" MEANS INSURANCE TO PROTECT
9 A MORTGAGEE AGAINST THE NONPAYMENT OF OR DEFAULT ON A MORTGAGE,
10 THE PREMIUMS OF WHICH ARE PAID BY THE MORTGAGOR AND ON WHICH THE
11 MORTGAGEE IS THE NAMED INSURED.

12 (D) "MORTGAGOR" MEANS AN INDIVIDUAL WHO HAS GIVEN A MORTGAGE
13 FOR WHICH A MORTGAGEE HAS REQUIRED PRIVATE MORTGAGE INSURANCE.

14 (E) "PRIVATE MORTGAGE INSURANCE" OR "PMI" MEANS MORTGAGE
15 GUARANTY INSURANCE OTHER THAN MORTGAGE INSURANCE MADE AVAILABLE
16 UNDER THE NATIONAL HOUSING ACT, CHAPTER 847, 48 STAT. 1246, TITLE V
17 38 OF THE UNITED STATES CODE, 38 U.S.C. 101 TO 8528, OR TITLE V
18 OF CHAPTER 338, 63 STAT. 432, 42 U.S.C. 1471 TO 1474, 1475 TO
19 1481, 1483 TO 1487, 1489 TO 1490f, 1490h, 1490j TO 1490o, AND
20 1490p-1 TO 1490r.