

# HOUSE BILL No. 5692

March 17, 1998, Introduced by Rep. Thomas and referred to the Committee on Commerce.

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 THE EXCESS, IF NOT TENDERED, SHALL BE REFUNDED ON DEMAND AND THE  
10 NOTICE OF CANCELLATION SHALL STATE THAT THE EXCESS PREMIUM, IF  
11 NOT TENDERED, WILL BE REFUNDED ON DEMAND.

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

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

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

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

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

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

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

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

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

20 (a) "Motorcycle" means that term as defined in section  
21 3101.

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

1 (c) "Snowmobile" means that term as defined in section 82101  
2 of ~~part 821 (snowmobiles) of Act No. 451 of the Public Acts of~~  
3 ~~1994, being section 324.82101 of the Michigan Compiled Laws~~ THE  
4 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451,  
5 MCL 324.82101.

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

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

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

22 (7) An insurer who wishes to provide for a short rate pre-  
23 mium under subsection (4) shall file with the commissioner pursu-  
24 ant to chapter 24 or 26 a rule establishing a short rate  
25 premium. The rule shall describe the circumstances under which  
26 the short rate ~~shall be~~ IS applied and shall set forth the  
27 amount or percentage to be retained.

1           (8) A MORTGAGE GUARANTY INSURANCE POLICY SHALL CONTAIN A  
2 PROVISION THAT THE INSURED SHALL ANNUALLY INFORM IN WRITING THE  
3 INDIVIDUAL WHOSE INTEREST IN A SINGLE FAMILY RESIDENCE IS THE  
4 SUBJECT OF A MORTGAGE ON WHICH THE MORTGAGE GUARANTY INSURANCE IS  
5 PLACED OF THE CONDITIONS USED TO DETERMINE WHETHER OR NOT THE  
6 INSURANCE MAY BE TERMINATED, AND, IF THE INSURANCE MAY BE TERMI-  
7 NATED, THE CONDITIONS AND PROCEDURES FOR TERMINATION.