

HOUSE BILL No. 5821

May 5, 1998, Introduced by Rep. Jansen and referred to the Committee on Insurance.

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, including all classes of motor vehicle
3 coverage, shall not be issued or delivered in this state by an
4 insurer authorized to do business in this state for which a pre-
5 mium or advance assessment is charged, unless the policy contains
6 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 applied and shall set forth the amount to be retained, which
22 shall be subject to the approval of the commissioner. The rule
23 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 not apply to renewal
2 policies.

3 (c) That a minimum retention shall not apply when a policy
4 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
12 without prejudice to any claim originating before the
13 cancellation. The mailing of notice shall be prima facie proof
14 of notice. Delivery of written notice shall be equivalent to
15 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 applied and shall set forth the amount or
27 percentage to be retained.