

# HOUSE BILL No. 5948

November 12, 2014, Introduced by Rep. Poleski and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 1617 and 3020 (MCL 500.1617 and 500.3020),  
section 1617 as added by 2002 PA 655 and section 3020 as amended by  
2006 PA 106, and by adding section 3009a.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1617. (1) Not later than 60 days after the termination of  
2       creditor-placed insurance coverage, and in accordance with sections  
3       2833(1)(h) and ~~3020(1)(c)~~, **3020(1)(D)**, an insurer shall refund any  
4       unearned premium or other identifiable charges.

5       (2) Not later than 60 days after the termination date of  
6       creditor-placed insurance coverage, the insurer shall provide to  
7       the debtor a statement of refund disclosing the effective date, the  
8       termination date, the amount of premium being refunded, and the

1 amount of premium charged for the coverage provided.

2 (3) If coverage under this chapter is not provided, the entire  
3 amount of premiums, minimum premiums, fees, or charges of any kind  
4 shall be refunded.

5 **SEC. 3009A. AN INSURER SHALL NOT ISSUE AN AUTOMOBILE LIABILITY**  
6 **OR MOTOR VEHICLE LIABILITY POLICY THAT HAS A TERM OF LESS THAN 90**  
7 **DAYS.**

8 Sec. 3020. (1) A policy of casualty insurance, except worker's  
9 compensation and mortgage guaranty insurance, including all classes  
10 of motor vehicle coverage, shall not be issued or delivered in this  
11 state by an insurer authorized to do business in this state for  
12 which a premium or advance assessment is charged, unless the policy  
13 contains the following provisions:

14 (a) That, **UNLESS THE POLICY PROVIDES AUTOMOBILE INSURANCE AS**  
15 **DEFINED IN SECTION 2102(2)(A) AND (B),** the policy may be canceled  
16 at any time at the request of the insured, in which case the  
17 insurer ~~shall~~**WILL** refund the excess of paid premium or assessment  
18 above the pro rata rates for the expired time, except as otherwise  
19 provided in subsections (2), (3), and (4).

20 **(B) THAT, IF THE POLICY PROVIDES AUTOMOBILE INSURANCE AS**  
21 **DEFINED IN SECTION 2102(2)(A) AND (B), SUBDIVISION (A) APPLIES;**  
22 **HOWEVER, THE POLICY WILL NOT BE CANCELED UNLESS THE INSURED FIRST**  
23 **PROVIDES PROOF THAT THE INSURED HAS OBTAINED A REPLACEMENT**  
24 **AUTOMOBILE INSURANCE POLICY COVERING THE INSURED MOTOR VEHICLE FROM**  
25 **ANOTHER INSURER.**

26 **(C) ~~(b)~~—**Except as otherwise provided in subdivision ~~(d)~~**, (E),**  
27 that the policy may be canceled at any time by the insurer by

1 mailing to the insured at the insured's address last known to the  
2 insurer or an authorized agent of the insurer, with postage fully  
3 prepaid, a not less than 10 days' written notice of cancellation  
4 with or without tender of the excess of paid premium or assessment  
5 above the pro rata premium for the expired time.

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

11 (E) ~~(d)~~ That an insurer may refuse to renew a malpractice  
12 insurance policy only by mailing to the insured at the insured's  
13 address last known to the insurer or an authorized agent of the  
14 insurer, with postage fully prepaid, a not less than 60 days'  
15 written notice of refusal to renew. As used in this subdivision,  
16 "malpractice insurance" means malpractice insurance as described in  
17 section 624(1)(h).

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

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

1 (b) That a minimum retention does not apply to renewal  
2 policies.

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

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

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

11 (3) Notwithstanding subsection (1), an insurer may issue a  
12 noncancelable, nonrefundable, 6-month prepaid automobile insurance  
13 policy in order for an insured to meet the registration  
14 requirements of section 227a of the Michigan vehicle code, 1949 PA  
15 300, MCL 257.227a.

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

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

20 (b) "Off-road vehicle" means an ORV as defined in section  
21 81101 of the natural resources and environmental protection act,  
22 1994 PA 451, MCL 324.81101.

23 (c) "Snowmobile" means that term as defined in section 82101  
24 of the natural resources and environmental protection act, 1994 PA  
25 451, MCL 324.82101.

26 (d) "Watercraft" means that term as defined in section 80301  
27 of the natural resources and environmental protection act, 1994 PA

1 451, MCL 324.80301.

2 (5) Cancellation as prescribed in this section is without  
3 prejudice to any claim originating before the cancellation. The  
4 mailing of notice is prima facie proof of notice. Delivery of  
5 written notice is equivalent to mailing.

6 (6) A notice of cancellation, including a cancellation notice  
7 under section 3224, shall be accompanied by a statement that the  
8 insured shall not operate or permit the operation of the vehicle to  
9 which notice of cancellation is applicable, or operate any other  
10 vehicle, unless the vehicle is insured as required by law.

11 (7) An insurer who wishes to provide for a short rate premium  
12 under subsection (4) shall file with the ~~commissioner pursuant to~~  
13 **DIRECTOR UNDER** chapter 24 or 26 a rule establishing a short rate  
14 premium. The rule ~~shall~~**MUST** describe the circumstances under which  
15 the short rate is applied and ~~shall~~**MUST** set forth the amount or  
16 percentage to be retained.

17 (8) **AN INSURER THAT ISSUES A POLICY OF AUTOMOBILE INSURANCE AS**  
18 **DEFINED IN SECTION 2102(2)(A) AND (B) SHALL NOT CANCEL THE POLICY**  
19 **AT THE REQUEST OF THE INSURED UNLESS THE INSURED FIRST PROVIDES**  
20 **PROOF THAT THE INSURED HAS OBTAINED A REPLACEMENT AUTOMOBILE**  
21 **INSURANCE POLICY COVERING THE INSURED MOTOR VEHICLE FROM ANOTHER**  
22 **INSURER.**