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CASUALTY INSURANCE COVERAGES

House Bill 5274
Sponsor: Rep. Bart Stupak
Committee: Insurance

Complete to 11-28-89

A SUMMARY OF HOUSE BILL 5274 AS INTRODUCED 11-9-89

The bill would amend Chapter 30 of the Insurance Code (MCL 500.3020), which deals with casualty insurance, to regulate how policies other than workers compensation or private passenger automobile polices may be canceled or renewed. The bill's provisions include the following.

* To cancel a new policy during its first 60 days in effect, an insurer would have to provide at least 30 days' written notice. However, if the cancellation was due to fraud, material misrepresentation, or nonpayment of premium, only 10 days' written notice would be required. (Ten days' notice is now required for cancellations.)

* To cancel a fully prepaid new policy after the first 60 days and a fully prepaid renewal policy, an insurer would have to provide 10 days' notice if fraud, material misrepresentation, or nonpayment of premium were involved; 20 days' notice if the insured had failed to comply with reasonable safety recommendations; and 30 days' notice if there had been a change in the risk that substantially increased a hazard insured against, unless the insurer should reasonably have foreseen the change or contemplated the risk in writing the policy.

* In order for an insurer to refuse to renew an annual term policy, the insurer would have to provide written notice of the intent not to renew at least 45 days before the policy's expiration date or renewal date.

* To renew an annual term policy that was not automatically renewed, the insured would have to notify the insurer of the intent to renew at least 75 days prior to the policy's expiration date. If the insurer elected to renew the policy, the policy or a firm quotation would have to be received by the insured at least 45 days before the policy's expiration date. It one was not received by that time and the insured paid a premium in advance for extended coverage, the insured could continue coverage for 45 days after receiving the policy or quotation. The premium for the 45-day extension would be computed pro rata based on the rates, credits, and debits that applied to the policy during the period immediately prior to the policy's expiration date.

* An insurer electing to renew an annual term policy with an automatic renewal would have to cause the insured to receive the renewal policy at least 45 days before the policy renewal date. If it was not received, a 45-day extension would be available as in the case above.

* In order for an insurer to refuse to extend a continuous policy, a policy for a term, or a policy for more than one year, the insurer would have to provide written notice of the intent not to extend the policy at least 45 days before the policy anniversary date. If an insurer elected to continue such a policy, the extension or a firm quotation would have to be received by the insured at least 45 days before the policy anniversary date. If it was not received by that time, a 45-day extension would be available as above.