

HOUSE BILL No. 5238

October 26, 1989, Introduced by Reps. Joe Young, Jr. and DeMars and referred to the Committee on Insurance.

A bill to amend section 16 of Act No. 27 of the Public Acts of the Extra Session of 1950, entitled as amended "Motor vehicle sales finance act," being section 492.116 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 16 of Act No. 27 of the Public Acts of
2 the Extra Session of 1950, being section 492.116 of the Michigan
3 Compiled Laws, is amended to read as follows:

4 Sec. 16. (1) ~~-(a)-~~ The buyer of a motor vehicle under an
5 installment sale contract may be required to provide insurance on
6 ~~-such-~~ THE motor vehicle at the buyer's expense for the protec-
7 tion of the seller or subsequent holder. ~~-Such-~~ THIS insurance
8 shall be limited to insurance against substantial risk of damage,
9 destruction, or theft of ~~-such-~~ THE motor vehicle. ~~-. Provided,~~
10 ~~however, That the foregoing~~ HOWEVER, THIS SUBSECTION shall not

1 interfere with the liberty of contract of the buyer and seller to
2 contract for travel emergency benefits pertaining to the opera-
3 tion of the automobile or other or additional insurance as secur-
4 ity for or by reason of the obligation of the buyer, and inclu-
5 sion of the cost of ~~such~~ THAT insurance premium and ~~said~~
6 THOSE travel emergency benefits in the principal amount advanced
7 under the installment sale contract. ~~Such~~ THE insurance shall,
8 if possible to obtain, be written for the dual protection of the
9 buyer and of the seller, or subsequent holder, to the extent of
10 his OR HER interest in the motor vehicle. ~~Such~~ THE insurance
11 shall be for an amount ~~—~~ and period of time, and upon terms and
12 conditions, which are reasonable and appropriate considering the
13 type and condition of the motor vehicle, the amount of the time
14 balance, and the schedule of payments in the installment sale
15 contract. ~~In the event such~~ IF insurance cannot be obtained
16 for the dual protection of the buyer and the seller, or subse-
17 quent holder, or if obtained, is ~~cancelled~~ CANCELED by the
18 insurance company prior to expiration, the seller, or subsequent
19 holder, may obtain insurance to protect his OR HER interest in
20 the motor vehicle and the buyer may be required to pay the cost
21 ~~thereof~~ OF THAT INSURANCE. In such event, the seller, or sub-
22 sequent holder, shall promptly notify the buyer that such insur-
23 ance cannot be obtained, or is ~~cancelled~~ CANCELED, and credit
24 to the buyer the difference between the amount charged by the
25 seller for ~~such~~ THE dual protection insurance and the cost to
26 the seller of ~~such~~ THE single interest insurance ~~—~~ less, in
27 the event of cancellation, the earned premium on the dual

1 interest insurance for the period it is in force. ~~)-. Provided,~~
 2 ~~That whenever such~~ HOWEVER, IF THE insurance is written for the
 3 protection of the seller, or subsequent holder, only, neither the
 4 insurance company issuing the policy nor any other person shall
 5 be subrogated to the rights of the insured as against the buyer.

6 (2) ~~(b)~~ The buyer of a motor vehicle under an installment
 7 sale contract shall have the privilege of purchasing ~~such~~
 8 insurance from any insurance company, agent, or broker authorized
 9 to do business in Michigan. ~~other than the installment seller.~~
 10 ~~No~~ AN installment seller shall NOT coerce, threaten, or in any
 11 manner influence ~~any~~ AN installment buyer to purchase insurance
 12 from any insurance company, agent, or broker designated by ~~such~~
 13 THE seller. ~~-. Provided, however, That the~~ THE inclusion of
 14 the cost of the insurance premium in the installment sale con-
 15 tract ~~—~~ when the buyer selects the company, agent, or broker
 16 ~~—~~ shall be optional with the seller.

17 (3) ~~(c) Whenever~~ IF the seller contracts to purchase, at
 18 the buyer's expense, ~~such~~ insurance on a motor vehicle sold
 19 under an installment sale contract, ~~such~~ THE insurance shall be
 20 purchased through an agent ~~and/~~ or broker or other person ~~—~~
 21 authorized to conduct business in Michigan, and ~~such insurance~~
 22 shall be written by an insurance company qualified to do business
 23 in Michigan. The status of the buyer and seller or holder, as
 24 set forth in ~~such~~ THE insurance contract, shall conform to the
 25 status of these parties in the installment sale contract. The
 26 cost of the premium on ~~such~~ THE insurance to the buyer shall
 27 not be in excess of the amount of the premium which others are

1 required to pay to ~~such~~ THAT insurance company for similar
2 coverage, and in no event in excess of rates established in the
3 then current published applicable manual of a recognized standard
4 insurance rating bureau, or the rates fixed by authority of the
5 state of Michigan.

6 (4) ~~(d) Whenever~~ IF the seller contracts to purchase, at
7 the buyer's expense, ~~such~~ insurance on a motor vehicle sold
8 under an installment sale contract, a certificate of insurance
9 and a statement showing itemized cost of ~~such~~ THE insurance
10 shall be delivered to the buyer within 25 days ~~of~~ AFTER the
11 date of the buyer's signing of the installment sale contract.

12 (5) ~~(e)~~ The insurance policy or certificate of insurance
13 on the motor vehicle which is furnished to the buyer, when the
14 insurance is placed by the seller or subsequent holder at the
15 buyer's expense, shall set forth complete information as to the
16 effective ~~dates~~ DATE, ~~amounts~~ AMOUNT of ~~premiums~~ PREMIUM,
17 and coverage, and shall contain all the terms of the insurance
18 contract.

19 (6) ~~(f) When~~ IF the seller or subsequent holder has
20 placed, at the expense of the buyer, insurance on a motor vehicle
21 sold under an installment sale contract and the buyer prepays the
22 time balance under the contract prior to the expiration date of
23 the insurance, ~~such~~ THE insurance shall remain in force unless
24 the buyer requests cancellation. ~~thereof~~ The seller or holder
25 shall not cancel the insurance under ~~such~~ THESE circumstances
26 without the buyer's consent, ~~nor~~ OR shall the seller or holder
27 coerce the buyer to cancel the insurance. Unexpired insurance

1 premiums received by the seller or holder, resulting from
2 cancellation of insurance which was originally placed at the
3 buyer's expense, shall be used in procuring comparable insurance
4 as PROVIDED in subsection (7) ~~(g) of this section provided,~~ and
5 if such insurance cannot be obtained, shall be paid to the buyer
6 or credited to any matured unpaid installments under the
7 contract.

8 (7) ~~(g) when~~ IF the seller contracts to purchase insurance
9 at the buyer's expense and ~~such~~ THE insurance is ~~cancelled~~
10 CANCELED by the insurance company prior to expiration, the seller
11 or subsequent holder shall attempt to place comparable insurance
12 with another insurance company and furnish or cause to be fur-
13 nished to the buyer a copy of the insurance policy or certificate
14 of insurance, subject to the same requirements of this act appli-
15 cable to the original policy. ~~In the event~~ IF the holder is
16 unable to obtain ~~such~~ insurance in another insurance company,
17 he OR SHE shall promptly notify the buyer by registered mail,
18 addressed to the buyer at the address appearing upon the install-
19 ment sale contract, unless the seller is in receipt of written
20 notice of a change in the buyer's address, and in ~~such~~ THAT
21 event addressed to the buyer at ~~such~~ THE changed address. The
22 buyer may then obtain ~~such~~ insurance from an insurance company,
23 agent, or broker of his OR HER own selection. The holder shall
24 also be liable to the buyer for any loss suffered by the buyer
25 through negligence on the part of the holder in promptly mailing
26 notice to the buyer of his OR HER inability to obtain replacement
27 insurance.