

HOUSE BILL No. 5274

November 9, 1989, Introduced by Reps. Stupak, Pitoniak, Niederstadt, Profit and Gagliardi and referred to the Committee on Insurance.

A bill to amend section 3020 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended by Act No. 168 of the Public Acts of 1987, being section 500.3020 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3020 of Act No. 218 of the Public Acts
2 of 1956, as amended by Act No. 168 of the Public Acts of 1987,
3 being section 500.3020 of the Michigan Compiled Laws, is amended
4 to read as follows:

5 Sec. 3020. (1) A policy of casualty insurance, except
6 worker's compensation ~~, including all classes of motor vehicle~~
7 ~~coverage~~ AND PRIVATE PASSENGER AUTOMOBILE INSURANCE, shall not
8 be issued or delivered in this state by an insurer authorized to
9 do business in this state for which a premium or advance

1 assessment is charged, unless the policy contains the following
2 provisions:

3 (a) That the policy may be canceled at any time at the
4 request of the insured, in which case the insurer shall, upon
5 demand and surrender of the policy, refund the excess of paid
6 premium or assessment above the pro rata rates for the expired
7 time, except as otherwise provided in subsections (2) and (3).

8 (b) That ~~the~~ FOR AN INSURER TO CANCEL A NEW policy ~~may be~~
9 ~~canceled at any time by the insurer by mailing~~ DURING THE FIRST
10 60 DAYS IN WHICH THE POLICY IS IN EFFECT, THE INSURER SHALL MAIL
11 to the insured at the insured's address last known to the insurer
12 or an authorized agent of the insurer, with postage fully pre-
13 paid, a not less than 10 days' written notice of cancellation FOR
14 FRAUD, MATERIAL MISREPRESENTATION, OR NONPAYMENT OF PREMIUM OR A
15 NOT LESS THAN 30 DAYS' WRITTEN NOTICE OF CANCELLATION FOR ANY
16 OTHER REASON with or without tender of the excess of paid premium
17 or assessment above the pro rata premium for the expired time.
18 The excess, if not tendered, shall be refunded on demand and the
19 notice of cancellation shall state that the excess premium, if
20 not tendered, will be refunded on demand.

21 (C) THAT FOR AN INSURER TO CANCEL A FULLY PREPAID NEW
22 POLICY, INCLUDING A POLICY IN WHICH THE FULL REQUIRED DEPOSIT
23 PREMIUM HAS BEEN PAID, AFTER THE FIRST 60 DAYS OF THE NEW POLICY
24 AND FOR AN INSURER TO CANCEL A FULLY PREPAID RENEWAL POLICY,
25 INCLUDING A POLICY IN WHICH THE FULL DEPOSIT PREMIUM HAS BEEN
26 PAID, AT ANY TIME DURING THE PERIOD OF THE RENEWAL POLICY, THE
27 INSURER SHALL:

1 (i) FOR FRAUD, MATERIAL MISREPRESENTATION, OR NONPAYMENT OF
2 PREMIUM, GIVE 10 DAYS' WRITTEN NOTICE TO THE INSURED OF THE
3 CANCELLATION.

4 (ii) FOR A CHANGE IN THE RISK THAT SUBSTANTIALLY INCREASES A
5 HAZARD INSURED AGAINST, EXCEPT TO THE EXTENT THAT THE INSURER
6 SHOULD REASONABLY HAVE FORESEEN THE CHANGE OR CONTEMPLATED THE
7 RISK IN WRITING THE POLICY, GIVE 30 DAYS' WRITTEN NOTICE TO THE
8 INSURED OF THE CANCELLATION.

9 (iii) FOR FAILURE OF THE INSURED TO COMPLY WITH REASONABLE
10 SAFETY RECOMMENDATIONS, GIVE 20 DAYS' WRITTEN NOTICE OF THE
11 CANCELLATION.

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

17 (E) THAT FOR AN INSURER TO REFUSE TO RENEW AN ANNUAL TERM
18 POLICY, THE INSURER SHALL MAIL TO THE INSURED AT THE INSURED'S
19 ADDRESS LAST KNOWN TO THE INSURER OR AN AUTHORIZED AGENT OF THE
20 INSURER A WRITTEN NOTICE OF INTENT TO NONRENEW NOT LESS THAN 45
21 DAYS BEFORE THE POLICY'S EXPIRATION DATE OR THE POLICY'S RENEWAL
22 DATE. TO RENEW AN ANNUAL TERM POLICY, THE FOLLOWING APPLY:

23 (i) AN INSURED ELECTING TO RENEW AN ANNUAL TERM POLICY THAT
24 IS NOT AUTOMATICALLY RENEWED SHALL NOTIFY THE INSURER OF THE
25 INSURED'S INTENT TO RENEW NOT LESS THAN 75 DAYS PRIOR TO THE
26 POLICY'S EXPIRATION DATE. IF AN INSURER ELECTS TO RENEW THE
27 POLICY, THE RENEWAL POLICY OR A FIRM QUOTATION MUST BE RECEIVED

1 BY THE INSURED NOT LESS THAN 45 DAYS BEFORE THE POLICY'S
2 EXPIRATION DATE. IF THE RENEWAL POLICY OR QUOTATION IS NOT
3 RECEIVED WITHIN THE 45 DAYS AND THE INSURED PAYS IN ADVANCE THE
4 PREMIUM FOR THE EXTENDED COVERAGE, THE INSURED MAY CONTINUE COV-
5 ERAGE FOR 45 DAYS AFTER THE RECEIPT OF THE RENEWAL POLICY OR
6 QUOTATION. THE PREMIUM FOR THIS 45-DAY EXTENSION SHALL BE COM-
7 PUTED PRO RATA BASED UPON THE RATES, CREDITS, AND DEBITS THAT
8 APPLIED TO THE POLICY DURING THE PERIOD IMMEDIATELY PRIOR TO THE
9 POLICY'S EXPIRATION DATE.

10 (ii) AN INSURER ELECTING TO RENEW AN ANNUAL TERM POLICY WITH
11 AN AUTOMATIC RENEWAL SHALL CAUSE THE RENEWAL POLICY TO BE
12 RECEIVED BY THE INSURED AT LEAST 45 DAYS BEFORE THE POLICY'S
13 RENEWAL DATE. IF THE RENEWAL POLICY IS NOT RECEIVED WITHIN THE
14 45 DAYS AND THE INSURED PAYS IN ADVANCE THE PREMIUM FOR THE
15 EXTENDED COVERAGE, THE INSURED MAY CONTINUE COVERAGE FOR 45 DAYS
16 AFTER THE RECEIPT OF THE RENEWAL POLICY. THE PREMIUM FOR THIS
17 45-DAY EXTENSION SHALL BE COMPUTED PRO RATA BASED UPON THE RATES,
18 CREDITS, AND DEBITS THAT APPLIED DURING THE PERIOD IMMEDIATELY
19 PRIOR TO THE POLICY'S RENEWAL DATE.

20 (F) THAT FOR AN INSURER TO REFUSE TO EXTEND A CONTINUOUS
21 POLICY, A POLICY FOR A TERM, OR A POLICY FOR MORE THAN 1 YEAR,
22 THE INSURER SHALL MAIL TO THE INSURED AT THE INSURED'S ADDRESS
23 LAST KNOWN TO THE INSURER OR AN AUTHORIZED AGENT OF THE INSURER A
24 WRITTEN NOTICE OF INTENT TO NOT EXTEND THE POLICY NOT LESS THAN
25 45 DAYS BEFORE THE POLICY'S ANNIVERSARY DATE. IF AN INSURER
26 ELECTS TO CONTINUE SUCH A POLICY PAST ITS ANNIVERSARY DATE, THE
27 EXTENSION OR A FIRM QUOTATION FOR THE EXTENSION PERIOD MUST BE

1 RECEIVED BY THE INSURED NOT LESS THAN 45 DAYS BEFORE THE POLICY'S
2 ANNIVERSARY DATE. IF THE EXTENSION OR QUOTATION IS NOT RECEIVED
3 WITHIN THE 45 DAYS AND THE INSURED PAYS IN ADVANCE THE PREMIUM
4 FOR THE EXTENDED COVERAGE, THE INSURED MAY CONTINUE COVERAGE FOR
5 45 DAYS AFTER THE RECEIPT OF THE EXTENSION OR QUOTATION. THE
6 PREMIUM FOR THIS 45-DAY EXTENSION SHALL BE COMPUTED PRO RATA
7 BASED UPON THE RATES, CREDITS, AND DEBITS THAT APPLIED TO THE
8 POLICY DURING THE PERIOD IMMEDIATELY PRIOR TO THE POLICY'S ANNI-
9 VERSARY DATE.

10 (G) THAT A POLICY CANNOT BE CANCELED OR RENEWED EXCEPT AS
11 PROVIDED IN THIS SUBSECTION.

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

20 (a) That a minimum retention shall be applied only when the
21 amount exceeds the amount which would have been retained had the
22 policy been canceled on a pro rata basis.

23 (b) That a minimum retention shall not apply to renewal
24 policies.

25 (c) That a minimum retention shall not apply when a policy
26 is canceled for the following reasons:

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

3 (ii) The insured has replaced the automobile insurance
4 policy being canceled with an automobile insurance policy from
5 another insurer and provides proof of the replacement coverage to
6 the canceling insurer.

7 (3) An insurer may file a rule with the commissioner provid-
8 ing for a minimum retention of premium for insurance on a motor-
9 cycle, watercraft, off-road vehicle, or snowmobile. The rule
10 shall describe the circumstances under which the retention shall
11 be applied and shall set forth the amount to be retained, which
12 shall be subject to the approval of the commissioner. As used in
13 this subsection:

14 (a) "Motorcycle" means that term as defined in section
15 3101.

16 (b) "Off-road vehicle" means an ORV as defined in section 1
17 of Act No. 319 of the Public Acts of 1975, being section 257.1601
18 of the Michigan Compiled Laws.

19 (c) "Snowmobile" means that term as defined in section 1 of
20 Act No. 74 of the Public Acts of 1968, being section 257.1501 of
21 the Michigan Compiled Laws.

22 (d) "Watercraft" means that term as defined in section 1 of
23 Act No. 160 of the Public Acts of 1976, being section 281.1201 of
24 the Michigan Compiled Laws.

25 (4) Cancellation as prescribed in this section shall be
26 without prejudice to any claim originating before the
27 cancellation. The mailing of notice shall be prima facie proof

1 of notice. Delivery of written notice shall be equivalent to
2 mailing.

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