

HOUSE BILL No. 5315

November 30, 1989, Introduced by Reps. Willis Bullard, Bartnik, Maynard, Trim and Dunaskiss and referred to the Committee on Insurance.

A bill to amend sections 3020 and 3101a of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

section 3020 as amended by Act No. 168 of the Public Acts of 1987 and section 3101a as added by Act No. 461 of the Public Acts of 1980, being sections 500.3020 and 500.3101a of the Michigan Compiled Laws; and to add section 2111d.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 3020 and 3101a of Act No. 218 of the
2 Public Acts of 1956, section 3020 as amended by Act No. 168 of
3 the Public Acts of 1987 and section 3101a as added by Act No. 461
4 of the Public Acts of 1980, being sections 500.3020 and 500.3101a
5 of the Michigan Compiled Laws, are amended and section 2111d is
6 added to read as follows:

1 SEC. 2111D. (1) WITHIN 90 DAYS AFTER THE COMMISSIONER
2 RECEIVES NOTICE FROM THE SECRETARY OF STATE PURSUANT TO
3 SECTION 520A(5) OF THE MICHIGAN VEHICLE CODE, ACT NO. 300 OF THE
4 PUBLIC ACTS OF 1949, BEING SECTION 257.520A OF THE MICHIGAN
5 COMPILED LAWS, THAT 97% OF THE REGISTERED MOTOR VEHICLES IN THIS
6 STATE ARE INSURED, THE COMMISSIONER SHALL ORDER EACH INSURER TO
7 REDUCE ITS PRIVATE PASSENGER NONFLEET AUTOMOBILE INSURANCE BASE
8 RATES IN EFFECT 180 DAYS PRIOR TO THE COMMISSIONER'S ORDER BY NOT
9 LESS THAN 20%. THE COMMISSIONER SHALL ONLY ORDER A RATE REDUC-
10 TION UNDER THIS SUBSECTION THE FIRST TIME THE SECRETARY OF STATE
11 NOTIFIES THE COMMISSIONER PURSUANT TO SECTION 520A(5) OF ACT
12 NO. 300 OF THE PUBLIC ACTS OF 1949.

13 (2) ASSESSMENTS FOR THE MICHIGAN CATASTROPHIC CLAIMS ASSOCI-
14 ATION, PROPERTY CASUALTY CLAIMS ASSOCIATION, AUTOMOBILE THEFT
15 PREVENTION AUTHORITY, AND THE MICHIGAN AUTOMOBILE INSURANCE
16 PLACEMENT FACILITY SHALL NOT BE CONSIDERED IN ACHIEVING THE
17 REDUCTION REQUIRED BY SUBSECTION (1).

18 Sec. 3020. (1) A policy of casualty insurance, except
19 worker's compensation, including all classes of motor vehicle
20 coverage, shall not be issued or delivered in this state by an
21 insurer authorized to do business in this state for which a pre-
22 mium or advance assessment is charged, unless the policy contains
23 ALL OF the following provisions:

24 (a) That the policy may be canceled at any time at the
25 request of the insured, ~~in which case~~ AND THAT, EXCEPT AS PRO-
26 VIDED IN SUBSECTIONS (2), (3), AND (6), the insurer shall, upon
27 demand and surrender of the policy, refund the excess of paid

1 premium or assessment above the pro rata rates for the expired
2 time. ~~, except as otherwise provided in subsections (2) and~~
3 ~~(3).~~

4 (b) That the policy may be canceled at any time by the
5 insurer by mailing to the insured at the insured's address last
6 known to the insurer or an authorized agent of the insurer, with
7 postage fully prepaid, a not less than 10 days' written notice of
8 cancellation with or without tender of the excess of paid premium
9 or assessment above the pro rata premium for the expired time.
10 The excess, if not tendered, shall be refunded on demand and the
11 notice of cancellation shall state that the excess premium, if
12 not tendered, will be refunded on demand.

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

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

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

4 (b) That a minimum retention shall not apply to renewal
5 policies.

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

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

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

14 (3) An insurer may file a rule with the commissioner provid-
15 ing for a minimum retention of premium for insurance on a motor-
16 cycle, watercraft, off-road vehicle, or snowmobile. The rule
17 shall describe the circumstances under which the retention shall
18 be applied and shall set forth the amount to be retained, which
19 shall be subject to the approval of the commissioner. As used in
20 this subsection:

21 (a) "Motorcycle" means that term as defined in section
22 3101.

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

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

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

7 (4) Cancellation as prescribed in this section shall be
8 without prejudice to any claim originating before the
9 cancellation. The mailing of notice shall be prima facie proof
10 of notice. Delivery of written notice shall be equivalent to
11 mailing.

12 (5) A notice of cancellation, including a cancellation
13 notice under section 3224, shall be accompanied by a statement
14 that the insured shall not operate or permit the operation of the
15 vehicle to which notice of cancellation is applicable, or operate
16 any other vehicle, unless the vehicle is insured as required by
17 law.

18 (6) IF AN AUTOMOBILE INSURANCE POLICY IS CANCELED AT THE
19 REQUEST OF THE INSURED, THE INSURER SHALL PROMPTLY NOTIFY THE
20 INSURED OF ALL OF THE FOLLOWING:

21 (A) EXCEPT AS PROVIDED IN SUBDIVISION (C), THAT ANY REFUND
22 OF PAID PREMIUM OR ASSESSMENT ABOVE THE PRO RATA RATES FOR THE
23 EXPIRED TIME, LESS ANY MINIMUM RETENTION PERMITTED UNDER
24 SUBSECTION (2), SHALL BE REFUNDED ONLY TO A SUBSEQUENT AUTOMOBILE
25 INSURER FOR THE VEHICLE COVERED BY THE AUTOMOBILE INSURANCE
26 POLICY THAT WAS CANCELED. THE REFUNDED PREMIUM SHALL BE USED BY

1 THE SUBSEQUENT INSURER AS PAYMENT TOWARD THE INSURED'S PREMIUM
2 FOR THE SUBSEQUENT POLICY.

3 (B) EXCEPT AS PROVIDED IN SUBDIVISION (C), THAT THE INSURED
4 SHALL PROVIDE PROOF TO THE CANCELING INSURER THAT THE AUTOMOBILE
5 INSURANCE POLICY BEING CANCELED HAS BEEN REPLACED WITH AN AUTOMO-
6 BILE INSURANCE POLICY FROM ANOTHER INSURER.

7 (C) THAT ANY REFUND OF PAID PREMIUM OR ASSESSMENT ABOVE THE
8 PRO RATA RATE FOR THE EXPIRED TIME, LESS ANY MINIMUM RETENTION
9 PERMITTED UNDER SUBSECTION (2), SHALL BE REFUNDED TO THE INSURED
10 IF THE INSURED IS NO LONGER REQUIRED TO MAINTAIN SECURITY PURSU-
11 ANT TO SECTION 3101(1) AND PROVIDES PROOF OF THAT FACT TO THE
12 CANCELING INSURER.

13 Sec. 3101a. (1) An insurer ~~in conjunction with the~~
14 ~~issuance of~~ WHO ISSUES an automobile insurance policy, as
15 defined in section 3303, shall provide ~~2 certificates~~ A
16 CERTIFICATE of insurance to each policyholder. The insurer shall
17 ~~mark 1 of the certificates as the secretary of state's copy,~~
18 ~~which copy shall be filed~~ FILE A COPY OF THE CERTIFICATE with
19 the secretary of state. ~~by the policyholder upon application~~
20 ~~for a vehicle registration.~~ The secretary of state shall ~~not~~
21 ~~maintain~~ KEEP THE COPY OF the certificate of insurance ~~received~~
22 ~~under this subsection~~ on file.

23 (2) AN INSURER WHO ISSUES AN AUTOMOBILE INSURANCE POLICY, AS
24 DEFINED IN SECTION 3303, SHALL NOTIFY THE SECRETARY OF STATE IF
25 THE POLICY IS CANCELED OR TERMINATED AT ANY TIME, BY THE INSURED
26 OR BY THE INSURER, OR IF THE POLICY IS NOT RENEWED. THE NOTICE
27 SHALL COMPLY WITH SECTION 521 OF THE MICHIGAN VEHICLE CODE, ACT

1 NO. 300 OF THE PUBLIC ACTS OF 1949, BEING SECTION 257.521 OF THE
2 MICHIGAN COMPILED LAWS.

3 (3) ~~(2)~~ A person who supplies false information to the
4 secretary of state under this section, or who issues or uses an
5 invalid certificate of insurance, is guilty of a misdemeanor,
6 punishable by imprisonment for not more than 1 year, or BY a fine
7 of not more than \$1,000.00, or both.

8 Section 2. This amendatory act shall not take effect unless
9 Senate Bill No. _____ or House Bill No. ⁵³¹⁶_____ (request
10 no. 03408'89 a*) of the 85th Legislature is enacted into law.