

# SENATE BILL No. 389

May 2, 1989, Introduced by Senators FAUST, O'BRIEN, POSTHUMUS and  
SCHWARZ and referred to the Committee on Commerce and Technology.

A bill to amend sections 2832, 3020, and 3448 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 sec-  
tions 500.2832, 500.3020, and 500.3448 of the Michigan Compiled  
Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 2832, 3020, and 3448 of Act No. 218 of  
2 the Public Acts of 1956, as amended by Act No. 168 of the Public  
3 Acts of 1987, being sections 500.2832, 500.3020, and 500.3448 of  
4 the Michigan Compiled Laws, are amended to read as follows:

5 Sec. 2832. (1) The form of the standard policy (with per-  
6 mission to substitute for the word "company" a more accurate  
7 descriptive term for the type of insurer) shall be as follows:

(First Page of Standard Policy)

MICHIGAN STANDARD POLICY

No.

[Space for insertion of name of company or companies issuing the policy and other matter permitted to be stated at the head of the policy.]

[Space for listing amounts of insurance, rates and premiums for the basic coverages insured under the standard form of policy and for additional coverages or perils insured under endorsements attached.]

10

11

In Consideration of the Provisions

and Stipulations Herein or Added Hereto

14

and of .....Dollars Premium

this Company, for the term of.....

from the ..... day of ....., 19..}at noon, Standard Time, at

to the ..... day of ....., 19..}location of property involved,

to an amount not exceeding .....Dollars

does insure.....

.....

1 and legal representatives, to the extent of the actual cash value of  
2 the property at the time of loss, but not exceeding the amount which  
3 it would cost to repair or replace the property with material of like  
4 kind and quality within a reasonable time after such loss, without  
5 allowance for any increased cost of repair or reconstruction by  
6 reason of any ordinance or law regulating construction or repair, and  
7 without compensation for loss resulting from interruption of business  
8 or manufacture, nor in any event for more than the interest of the  
9 insured, against all DIRECT LOSS BY FIRE, LIGHTNING AND BY REMOVAL  
10 FROM PREMISES ENDANGERED BY THE PERILS INSURED AGAINST IN THIS  
11 POLICY, EXCEPT AS HEREINAFTER PROVIDED, to the property described  
12 hereinafter while located or contained as described in this policy,  
13 or pro rata for five days at each proper place to which any of the  
14 property shall necessarily be removed for preservation from the  
15 perils insured against in this policy, but not elsewhere.

16 Assignment of this policy shall not be valid except with the  
17 written consent of this Company.

18 This policy is made and accepted subject to the foregoing provi-  
19 sions and stipulations and those hereinafter stated, which are hereby  
20 made a part of this policy, together with such other provisions,  
21 stipulations and agreements as may be added hereto, as provided in  
22 this policy.

1 IN WITNESS WHEREOF, this Company has executed and attested these  
 2 presents; but this policy shall not be valid unless countersigned by  
 3 the duly authorized Agent of this Company at

4 Secretary. President.

5 Countersigned

6 this .... day of ..... 19... ..... Agent.

7 (Second Page of Standard Policy)

8 1 Concealment, This entire policy shall be void if, whether  
 9 2 fraud. before or after a loss, the insured has wil-  
 10 3 fully concealed or misrepresented any ma-  
 11 4 terial fact or circumstance concerning this insurance or the  
 12 5 subject thereof, or the interest of the insured therein, or in cas  
 13 6 of any fraud or false swearing by the insured relating thereto.

14 7 Uninsurable This policy shall not cover accounts, bills,  
 15 8 and currency, deeds, evidences of debt, money  
 16 9 excepted property. or securities; nor, unless specifically named  
 17 10 hereon in writing, bullion or manuscripts.

18 11 Perils not This Company shall not be liable for loss by  
 19 12 included. fire or other perils insured against in this  
 20 13 policy caused, directly or indirectly, by: (a  
 21 14 enemy attack by armed forces, including action taken by mili-  
 22 15 tary, naval or air forces in resisting an actual or an immediately  
 23 16 impending enemy attack; (b) invasion; (c) insurrection; (d)  
 24 17 rebellion; (e) revolution; (f) civil war; (g) usurped power; (h)  
 25 18 order of any civil authority except acts of destruction at the tim

1 19 of and for the purpose of preventing the spread of fire, provided  
 2 20 that such fire did not originate from any of the perils excluded  
 3 21 by this policy; (i) neglect of the insured to use all reasonable  
 4 22 means to save and preserve the property at and after a loss, or  
 5 23 when the property is endangered by fire in neighboring prem-  
 6 24 ises; (j) nor shall this Company be liable for loss by theft.

7 25 Other Insurance. Other insurance may be prohibited or the  
 8 26 amount of insurance may be limited by en-  
 9 27 dorsement attached hereto.

10 28 Conditions suspending or restricting insurance. Unless other-  
 11 29 wise provided in writing added hereto this Company shall not  
 12 30 be liable for loss occurring

13 31 (a) while the hazard is increased by any means within the con-  
 14 32 trol or knowledge of the insured; or

15 33 (b) while a described building, whether intended for occupancy  
 16 34 by owner or tenant, is vacant or unoccupied beyond a period of  
 17 35 sixty consecutive days; or

18 36 (c) as a result of explosion or riot, unless fire ensue, and in  
 19 37 that event for loss by fire only.

20 38 Other perils Any other peril to be insured against or sub-  
 21 39 or subjects. ject of insurance to be covered in this policy  
 22 40 shall be by endorsement in writing hereon or  
 23 41 added hereto.

24 42 Added provisions. The extent of the application of insurance  
 25 43 under this policy and of the contribution to  
 26 44 be made by this Company in case of loss, and any other pro-

vision or agreement not inconsistent with the provisions of this policy, may be provided for in writing added hereto, but no provision may be waived except such as by the terms of this policy is subject to change.

**Waiver** No permission affecting this insurance shall exist, or waiver of any provision be valid, unless granted herein or expressed in writing added hereto. No provision, stipulation or forfeiture shall be held to be waived by any requirement or proceeding on the part of this Company relating to appraisal or to any examination provided for herein.

**Cancellation** This policy shall be cancelled at any time of policy. at the request of the insured, in which case this Company shall, upon demand and surrender of this policy, refund the excess of paid premium above the pro rata rates for the expired time. This policy may be cancelled at any time by this Company by giving to the insured a five days' written notice of cancellation with or without tender of the excess of paid premium above the pro rata premium for the expired time, which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium (if not tendered) will be refunded on demand. The minimum earned premium on any policy which is canceled by the insured or the insurer shall not be less than ~~+5% of the total premium payable on the policy~~ THE PRORATA

1 PREMIUM FOR THE EXPIRED TIME or \$25.00, whichever  
2 is greater.

3 68 Mortgagee If loss hereunder is made payable, in whole  
4 69 interests and or in part, to a designated mortgagee not  
5 70 obligations. named herein as the insured, such interest in  
6 71 this policy may be cancelled by giving to  
7 72 such mortgagee a ten days' written notice of  
8 73 cancellation.

9 74 If the insured fails to render proof of loss such mortgagee, upon  
10 75 notice, shall render proof of loss in the form herein specified  
11 76 within sixty (60) days thereafter and shall be subject to the pro-  
12 77 visions hereof relating to appraisal and time of payment and of  
13 78 bringing suit. If this Company shall claim that no liability ex-  
14 79 isted as to the mortgagor or owner, it shall, to the extent of pay-  
15 80 ment of loss to the mortgagee, be subrogated to all the mort-  
16 81 gagee's rights of recovery, but without impairing mortgagee's  
17 82 right to sue; or it may pay off the mortgage debt and require  
18 83 an assignment thereof and of the mortgage. Other provisions  
19 84 relating to the interests and obligations of such mortgagee may  
20 85 be added hereto by agreement in writing.

21 86 Pro rata liability. This Company shall not be liable for a greater  
22 87 proportion of any loss than the amount  
23 88 hereby insured shall bear to the whole insurance covering the  
24 89 property against the peril involved, whether collectible or not.  
25 90 Requirements in The insured shall give immediate written  
26 91 case loss occurs. notice to this Company of any loss, protect

1 92                   the property from further damage, forthwith  
2 93   separate the damaged and undamaged personal property, put  
3 94   it in the best possible order, furnish a complete inventory of  
4 95   the destroyed, damaged and undamaged property, showing in  
5 96   detail quantities, costs, actual cash value and amount of loss  
6 97   claimed; and within sixty days after the loss, unless such time  
7 98   is extended in writing by this Company, the insured shall render  
8 99   to this Company a proof of loss, signed and sworn to by the  
9 100 insured, stating the knowledge and belief of the insured as to  
10 101 the following: the time and origin of the loss, the interest of  
11 102 insured and of all others in the property, the actual cash value  
12 103 each item thereof and the amount of loss thereto, all encum-  
13 104 brances thereon, all other contracts of insurance, whether valid  
14 105 or not, covering any of said property, any changes in the title,  
15 106 use, occupation, location, possession or exposures of said prop-  
16 107 erty since the issuing of this policy, by whom and for what  
17 108 purpose any building herein described and the several parts  
18 109 thereof were occupied at the time of loss and whether or not it  
19 110 then stood on leased ground, and shall furnish a copy of all the  
20 111 descriptions and schedules in all policies and, if required, veri-  
21 112 fied plans and specifications of any building, fixtures or machinery  
22 113 destroyed or damaged. The insured, as often as may be reason-  
23 114 ably required, shall exhibit to any person designated by this  
24 115 Company all that remains of any property herein described, and  
25 116 submit to examinations under oath by any person named by this  
26 117 Company, and subscribe the same; and, as often as may be



1 118 reasonably required, shall produce for examination all books of  
 2 119 account, bills, invoices and other vouchers, or certified copies  
 3 120 thereof if originals be lost, at such reasonable time and place as  
 4 121 may be designated by this Company or its representative, and  
 5 122 shall permit extracts and copies thereof to be made.

6 123 Appraisal. In case the insured and this Company shall  
 7 124 fail to agree as to the actual cash value or  
 8 125 the amount of loss, then, on the written demand of either, each  
 9 126 shall select a competent and disinterested appraiser and notify  
 10 127 the other of the appraiser selected within twenty days of such  
 11 128 demand. The appraisers shall first select a competent and dis-  
 12 129 interested umpire; and failing for fifteen days to agree upon  
 13 130 such umpire, then, on request of the insured or this Company,  
 14 131 such umpire shall be selected by a judge of a court of record in  
 15 132 the state in which the property covered is located. The ap-  
 16 133 praisers shall then appraise the loss, stating separately actual  
 17 134 cash value and loss to each item; and, failing to agree, shall  
 18 135 submit their differences, only, to the umpire. An award in writ-  
 19 136 ing, so itemized, of any two when filed with this Company shall  
 20 137 determine the amount of actual cash value and loss. Each  
 21 138 appraiser shall be paid by the party selecting him and the ex-  
 22 139 penses of appraisal and umpire shall be paid by the parties  
 23 140 equally.

24 141 Company's It shall be optional with this Company to  
 25 142 options. take all, or any part, of the property at the  
 26 143 agreed or appraised value, and also to re-

1 144 pair, rebuild or replace the property destroyed or damaged with  
 2 145 other of like kind and quality within a reasonable time, on giv-  
 3 146 ing notice of its intention so to do within thirty days after the  
 4 147 receipt of the proof of loss herein required.

5 148 Abandonment.                    There can be no abandonment to this Com-  
 6 149                                      pany of any property.

7 150 When loss                    The amount of loss for which this Company  
 8 151 payable.                    may be liable shall be payable sixty days  
 9 152                                      after proof of loss, as herein provided, is  
 10 153 received by this Company and ascertainment of the loss is made  
 11 154 either by agreement between the insured and this Company ex-  
 12 155 pressed in writing or by the filing with this Company of an  
 13 156 award as herein provided.

14 157 Suit.                    No suit or action on this policy for the recov-  
 15 158                                      ery of any claim shall be sustainable in any  
 16 159 court of law or equity unless all the requirements of this policy  
 17 160 shall have been complied with, and unless commenced within  
 18 161 twelve months next after inception of the loss.

19 162 Subrogation.                This Company may require from the insured  
 20 163                                      an assignment of all right of recovery against  
 21 164 any party for loss to the extent that payment therefor is made  
 22 165 by this Company.

23                                      (Third Page of Standard Policy)

24                    ----- ATTACH FORM BELOW THIS LINE -----

25                                      (Back of Standard Policy)

26                                      MICHIGAN STANDARD POLICY

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Expires.....

Property.....

Total

Amount \$..... Premium \$.....

Insured.....

SEE INSIDE OF POLICY FOR PERILS COVERED

No.

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It is important that the written portion of all policies covering the same property read exactly alike. If they do not, they should be made uniform at once.

(2) Language in parenthesis in the form provided in subsection (1) of this section is explanatory only and is not to be printed as a part of such form.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 Sec. 3448. There may be a provision as follows:

16 **CANCELLATION:** The insurer may cancel this policy at any time  
17 by written notice delivered to the insured, or mailed to the  
18 insured, stating when, not less than 5 days thereafter, such can-  
19 cellation shall be effective; and after the policy has been con-  
20 tinued beyond its original term the insured may cancel this  
21 policy at any time by written notice delivered or mailed to the  
22 insurer, effective upon receipt or on ~~such~~ A later date as may  
23 be specified in ~~such~~ THE notice. In the event of cancellation,  
24 the insurer will return promptly the excess of paid premium above  
25 the pro rata premium for the expired time. The minimum earned  
26 premium on any canceled policy shall not be less than ~~+5% of the~~  
27 ~~total premium payable on the policy~~ THE PRO RATA PREMIUM FOR THE

1 EXPIRED TIME or \$25.00, whichever is greater. Cancellation shall  
2 be without prejudice to any claim originating prior to the effec-  
3 tive date of cancellation.