



SENATE BILL No. 777

November 29, 1995, Introduced by Senator BOUCHARD and referred to the Committee on Financial Services.

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. 170 of the Public Acts of 1990 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.

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. 170 of
3 the Public Acts of 1990 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 to read as follows:

6 Sec. 3020. (1) A policy of casualty insurance, except
7 worker's compensation, including all classes of motor vehicle

1 coverage, shall not be issued or delivered in this state by an
2 insurer authorized to do business in this state for which a pre-
3 mium or advance assessment is charged, unless the policy contains
4 the following provisions:

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

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

16 (c) That the minimum earned premium on any policy canceled
17 pursuant to this subsection, other than automobile insurance as
18 defined in section 2102(2)(a) and (b), shall not be less than the
19 pro rata premium for the expired time or \$25.00, whichever is
20 greater.

21 (2) An insurer may file a rule with the commissioner provid-
22 ing for a minimum retention of premium for automobile insurance
23 as defined in section 2102(2)(a) and (b). The rule shall
24 describe the circumstances under which the retention shall be
25 applied and shall set forth the amount to be retained, which
26 shall be subject to the approval of the commissioner. The rule

1 shall include, but need not be limited to, the following
2 provisions:

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

6 (b) That a minimum retention shall not apply to renewal
7 policies.

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

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

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

16 (3) An insurer may provide for a short rate premium for
17 insurance on a motorcycle, watercraft, off-road vehicle, or
18 snowmobile. As used in this subsection:

19 (a) "Motorcycle" means that term as defined in section
20 3101.

21 (b) "Off-road vehicle" means an ORV as defined in section
22 ~~+~~ 81101 of PART 811 (OFF-ROAD RECREATION VEHICLES) OF THE NATU-
23 RAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, Act No. ~~319~~ 451
24 of the Public Acts of ~~+975~~ 1994, being section ~~-257-1601-~~
25 324.81101 of the Michigan Compiled Laws.

26 (c) "Snowmobile" means that term as defined in section ~~+~~
27 82101 of PART 821 (SNOWMOBILES) OF Act No. ~~-74-~~ 451 of the Public

1 Acts of ~~1968~~ 1994, being section ~~257.1501~~ 324.82101 of the
2 Michigan Compiled Laws.

3 (d) "Watercraft" means that term as defined in section
4 ~~1(1)~~ 80301 of PART 801 (WATERCRAFT TRANSFER AND CERTIFICATE OF
5 TITLE) OF Act No. ~~160~~ 451 of the Public Acts of ~~1976~~ 1994,
6 being section ~~281.1201~~ 324.80301 of the Michigan Compiled
7 Laws.

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

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

19 (6) An insurer who wishes to provide for a short rate pre-
20 mium under subsection (3) shall file with the commissioner pursu-
21 ant to chapter 24 or 26 a rule establishing a short rate
22 premium. The rule shall describe the circumstances under which
23 the short rate shall be applied and shall set forth the amount or
24 percentage to be retained.

25 Sec. 3101a. (1) An insurer, in conjunction with the issu-
26 ance of an automobile insurance policy, as defined in section
27 3303, shall provide ~~2 certificates~~ A CERTIFICATE of insurance

1 ~~to~~ FOR each ~~policyholder~~ INSURED VEHICLE. ~~The insurer shall~~
2 ~~mark~~ ~~1~~ of the certificates as the secretary of state's copy,
3 ~~which copy shall be filed with the secretary of state by the pol-~~
4 ~~icyholder upon application for a vehicle registration. The sec-~~
5 ~~retary of state shall not maintain the certificate of insurance~~
6 ~~received under this subsection on file.~~

7 (2) A person who ~~supplies false information to the secre-~~
8 ~~tary of state under this section or who~~ issues or uses an
9 ~~invalid~~ ALTERED, FRAUDULENT, OR COUNTERFEIT certificate of
10 insurance is guilty of a misdemeanor punishable by imprisonment
11 for not more than 1 year, or a fine of not more than \$1,000.00,
12 or both.