

HOUSE BILL No. 5680

May 29, 2012, Introduced by Rep. LeBlanc and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 3020 (MCL 500.3020), as amended by 2006 PA 106.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

7 (a) That the policy may be canceled at any time at the request
8 of the insured, in which case the insurer shall refund the excess
9 of paid premium or assessment above the pro rata rates for the

1 expired time, except as otherwise provided in subsections (2), ~~(3),~~
2 ~~and (4),~~ **AND (5).**

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

10 (c) That the minimum earned premium on any policy canceled
11 pursuant to this subsection, other than automobile insurance as
12 **THAT TERM IS** defined in section 2102(2)(a) and (b), shall not be
13 less than the pro rata premium for the expired time or \$25.00,
14 whichever is greater.

15 (d) That an insurer may refuse to renew a malpractice
16 insurance policy only by mailing to the insured at the insured's
17 address last known to the insurer or an authorized agent of the
18 insurer, with postage fully prepaid, a not less than 60 days'
19 written notice of refusal to renew. As used in this subdivision,
20 "malpractice insurance" means malpractice insurance as described in
21 section 624(1)(h).

22 (2) An insurer may file a rule with the commissioner providing
23 for a minimum retention of premium for automobile insurance as **THAT**
24 **TERM IS** defined in section 2102(2)(a) and (b). The rule shall
25 describe the circumstances under which the retention is applied and
26 shall set forth the amount to be retained, which is subject to the
27 approval of the commissioner. The rule shall include, but need not

1 be limited to, the following provisions:

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

5 (b) That a minimum retention does not apply to renewal
6 policies.

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

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

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

15 (3) AN INSURER THAT RETAINS A MINIMUM RETENTION UNDER
16 SUBSECTION (2) SHALL PAY TO THE CATASTROPHIC CLAIMS ASSOCIATION
17 CREATED UNDER SECTION 3104 FROM THE AMOUNT RETAINED AN AMOUNT EQUAL
18 TO THE AVERAGE PREMIUM PER CAR CALCULATED UNDER SECTION 3104(7)(D).
19 IF THE PREMIUM PAID WAS FOR LESS THAN A FULL YEAR, THE AMOUNT PAID
20 TO THE CATASTROPHIC CLAIMS ASSOCIATION UNDER THIS SUBSECTION SHALL
21 BE REDUCED PROPORTIONALLY.

22 (4) ~~(3)~~—Notwithstanding subsection (1), an insurer may issue a
23 noncancelable, nonrefundable, 6-month prepaid automobile insurance
24 policy in order for an insured to meet the registration
25 requirements of section 227a of the Michigan vehicle code, 1949 PA
26 300, MCL 257.227a.

27 (5) ~~(4)~~—An insurer may provide for a short rate premium for

1 insurance on a motorcycle, watercraft, off-road vehicle, or
2 snowmobile. As used in this subsection:

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

4 (b) "Off-road vehicle" means an ORV as **THAT TERM IS** defined in
5 section 81101 of the natural resources and environmental protection
6 act, 1994 PA 451, MCL 324.81101.

7 (c) "Snowmobile" means that term as defined in section 82101
8 of the natural resources and environmental protection act, 1994 PA
9 451, MCL 324.82101.

10 (d) "Watercraft" means that term as defined in section 80301
11 of the natural resources and environmental protection act, 1994 PA
12 451, MCL 324.80301.

13 (6) ~~(5)~~ Cancellation as prescribed in this section is without
14 prejudice to any claim originating before the cancellation. The
15 mailing of notice is prima facie proof of notice. Delivery of
16 written notice is equivalent to mailing.

17 (7) ~~(6)~~ A notice of cancellation, including a cancellation
18 notice under section 3224, shall be accompanied by a statement that
19 the insured shall not operate or permit the operation of the
20 vehicle to which notice of cancellation is applicable, or operate
21 any other vehicle, unless the vehicle is insured as required by
22 law.

23 (8) ~~(7)~~ An insurer who wishes to provide for a short rate
24 premium under subsection ~~(4)~~ **(5)** shall file with the commissioner
25 pursuant to chapter 24 or 26 a rule establishing a short rate
26 premium. The rule shall describe the circumstances under which the
27 short rate is applied and shall set forth the amount or percentage

1 to be retained.