

HOUSE BILL No. 5211

January 13, 2016, Introduced by Rep. Lucido 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, and by adding section 2111f.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 2111F. (1) FOR AN AUTOMOBILE POLICY THAT PROVIDES THE
2 SECURITY REQUIRED UNDER SECTION 3101(1), THE PREMIUM MUST BE
3 STRUCTURED SO THAT THE FULL AMOUNT THAT REFLECTS THE PREMIUM
4 CHARGED MEMBERS AS REQUIRED TO BE INCLUDED IN RATES UNDER SECTION
5 3104 FOR THE ENTIRE TERM OF THE POLICY IS INCLUDED IN THE INITIAL
6 PREMIUM.

7 (2) AN INSURER THAT ISSUES A POLICY DESCRIBED IN THIS SECTION
8 SHALL CHARGE AND COLLECT FROM THE INSURED WITH THE INITIAL PREMIUM
9 PAYMENT ON THE POLICY THE FULL AMOUNT THAT REFLECTS THE PREMIUM
10 CHARGED MEMBERS AS REQUIRED TO BE INCLUDED IN RATES UNDER SECTION

1 3104 FOR THE ENTIRE TERM OF THE POLICY.

2 (3) SUBJECT TO SUBSECTION (4), IF A POLICY DESCRIBED IN THIS
3 SECTION IS CANCELED, THE INSURER SHALL NOT REFUND TO THE INSURED
4 THE PORTION OF THE INITIAL PREMIUM PAYMENT ON THE POLICY THAT
5 COMPRISES THE FULL AMOUNT THAT REFLECTS THE PREMIUM CHARGED MEMBERS
6 AS REQUIRED TO BE INCLUDED IN RATES UNDER SECTION 3104 FOR THE
7 ENTIRE TERM OF THE POLICY.

8 (4) SUBSECTION (3) DOES NOT APPLY IF THE POLICY IS CANCELED
9 FOR 1 OR MORE OF THE REASONS ENUMERATED IN SECTION 3020(2)(C).

10 Sec. 3020. (1) ~~A~~AN AUTHORIZED INSURER SHALL NOT ISSUE OR
11 DELIVER IN THIS STATE A policy of casualty insurance, except
12 worker's compensation and mortgage guaranty insurance, including
13 all classes of motor vehicle coverage, ~~shall not be issued or~~
14 ~~delivered in this state by an insurer authorized to do business in~~
15 ~~this state~~ for which a premium or advance assessment is charged,
16 unless the policy contains the following provisions:

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

22 (b) Except as otherwise provided in subdivision (d), that the
23 policy may be canceled at any time by the insurer by mailing to the
24 insured at the insured's address last known to the insurer or an
25 authorized agent of the insurer, with postage fully prepaid, a not
26 less than 10 days' written notice of cancellation with or without
27 tender of the excess of paid premium or assessment above the pro

1 rata premium for the expired time.

2 (c) That the minimum earned premium on any policy canceled
3 ~~pursuant to~~**UNDER** this subsection, other than automobile insurance
4 as defined in section 2102(2) (a) ~~and~~**OR** (b), ~~shall~~**WILL** not be less
5 than the pro rata premium for the expired time or \$25.00, whichever
6 is greater.

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

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

22 (a) That a minimum retention ~~shall~~**WILL** be applied only when
23 the amount exceeds the amount that would have been retained had the
24 policy been canceled on a pro rata basis.

25 (b) That a minimum retention does not apply to renewal
26 policies.

27 (c) That a minimum retention does not apply when a policy is

1 canceled for the following reasons:

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

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

8 (3) Notwithstanding subsection (1), an insurer may issue a
9 noncancelable, nonrefundable, 6-month prepaid automobile insurance
10 policy in order for an insured to meet the registration
11 requirements of section 227a of the Michigan vehicle code, 1949 PA
12 300, MCL 257.227a.

13 (4) An insurer may provide for a short rate premium for
14 insurance on a motorcycle, watercraft, off-road vehicle, or
15 snowmobile. As used in this subsection:

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

17 (b) "Off-road vehicle" means an ORV as defined in section
18 81101 of the natural resources and environmental protection act,
19 1994 PA 451, MCL 324.81101.

20 (c) "Snowmobile" means that term as defined in section 82101
21 of the natural resources and environmental protection act, 1994 PA
22 451, MCL 324.82101.

23 (d) "Watercraft" means that term as defined in section 80301
24 of the natural resources and environmental protection act, 1994 PA
25 451, MCL 324.80301.

26 (5) **IF THE POLICY CANCELED IS A POLICY THAT PROVIDES THE**
27 **SECURITY REQUIRED UNDER SECTION 3101(1), UNLESS THE POLICY IS**

1 CANCELED FOR 1 OR MORE OF THE REASONS ENUMERATED IN SUBSECTION
2 (2) (C), THE INSURER SHALL NOT REFUND THE PORTION OF THE PREMIUM
3 THAT COMPRISES THE FULL AMOUNT THAT REFLECTS THE PREMIUMS CHARGED
4 MEMBERS AS REQUIRED TO BE INCLUDED IN RATES UNDER SECTION 3104 FOR
5 THE ENTIRE TERM OF THE POLICY.

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

10 (7) ~~(6)~~—A notice of cancellation, including a cancellation
11 notice under section 3224, ~~shall~~**MUST** be accompanied by a statement
12 that the insured shall not operate or permit the operation of the
13 vehicle to which notice of cancellation is applicable, or operate
14 any other vehicle, unless the vehicle is insured as required by
15 law.

16 (8) ~~(7)~~—An insurer who wishes to provide for a short rate
17 premium under subsection (4) shall file with the ~~commissioner~~
18 ~~pursuant to~~**DIRECTOR UNDER** chapter 24 or 26 a rule establishing a
19 short rate premium. The rule ~~shall~~**MUST** describe the circumstances
20 under which the short rate is applied and ~~shall~~ set forth the
21 amount or percentage to be retained.

22 Enacting section 1. This amendatory act takes effect 90 days
23 after the date it is enacted into law.