

# SENATE BILL No. 472

June 21, 2017, Introduced by Senators YOUNG and JOHNSON and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
 "The insurance code of 1956,"  
 by amending sections 2123 and 3020 (MCL 500.2123 and 500.3020),  
 section 3020 as amended by 2006 PA 106.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 2123. (1) Except as provided in subsection (2), ~~or~~ (3),  
 2 **OR (6)**, a termination of insurance ~~shall~~ **IS** not ~~be~~ effective unless  
 3 the insurer, at least 30 days ~~prior to~~ **BEFORE** the date of  
 4 termination, delivers or mails to the named insured at the person's  
 5 last known address a written notice of the termination. The notice  
 6 ~~shall~~ **MUST** state the effective date of termination and each  
 7 specific reason for the termination.

8           (2) ~~A~~ **EXCEPT AS PROVIDED IN SUBSECTION (6)**, A notice of  
 9 termination mailed or delivered within the first 55 days after the

1 initial issuance of a policy may be made effective not less than 20  
2 days after the date of mailing or delivery of the notice.

3 (3) A notice of termination for nonpayment of premium ~~shall be~~  
4 **IS** effective as provided in the policy.

5 (4) A termination of insurance ~~shall IS~~ not ~~be~~ effective  
6 unless the termination is ~~due to~~ **BECAUSE OF** reasons ~~which~~ **THAT**  
7 conform to the underwriting rules of the insurer for that  
8 insurance.

9 (5) This section ~~shall~~ **DOES** not authorize an insurer to  
10 terminate an automobile insurance policy in violation of chapter  
11 32.

12 (6) **AN INSURER THAT ISSUES AN AUTOMOBILE POLICY DESCRIBED IN**  
13 **SECTION 3020(5) SHALL NOT TERMINATE THE POLICY DURING THE POLICY**  
14 **TERM. SUBSECTIONS (1) AND (2) AND THIS SUBSECTION DO NOT APPLY TO**  
15 **NONRENEWAL OF A POLICY DESCRIBED IN SECTION 3020(5).**

16 Sec. 3020. (1) ~~A~~ **AN AUTHORIZED INSURER SHALL NOT ISSUE OR**  
17 **DELIVER IN THIS STATE A** policy of casualty insurance, except  
18 worker's compensation and mortgage guaranty insurance, including  
19 all classes of motor vehicle coverage, ~~shall not be issued or~~  
20 ~~delivered in this state by an insurer authorized to do business in~~  
21 ~~this state~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION**, for which  
22 a premium or advance assessment is charged, unless the policy  
23 contains the following provisions:

24 (a) That the policy may be canceled at any time at the request  
25 of the insured, in which case the insurer shall refund the excess  
26 of paid premium or assessment above the pro rata rates for the  
27 expired time, except as otherwise provided in subsections (2), (3),

1 and (4).

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

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

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

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

1 provisions:

2 (a) That a minimum retention ~~shall~~**WILL** be applied only when  
3 the 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~~**IF** a policy  
8 is canceled for the following reasons:

9 (i) The insured is no longer required to maintain security  
10 ~~pursuant to~~**UNDER** 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~~**PROVIDED** proof of the replacement coverage to  
14 the canceling insurer.

15 (3) Notwithstanding subsection (1), an insurer may issue a  
16 noncancelable, nonrefundable, 6-month prepaid automobile insurance  
17 policy in order for an insured to meet the registration  
18 requirements of section 227a of the Michigan vehicle code, 1949 PA  
19 300, MCL 257.227a.

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

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

24 (b) "Off-road vehicle" means an ORV as defined in section  
25 81101 of the natural resources and environmental protection act,  
26 1994 PA 451, MCL 324.81101.

27 (c) "Snowmobile" means that term as defined in section 82101

1 of the natural resources and environmental protection act, 1994 PA  
2 451, MCL 324.82101.

3 (d) "Watercraft" means that term as defined in section 80301  
4 of the natural resources and environmental protection act, 1994 PA  
5 451, MCL 324.80301.

6 (5) **NOTWITHSTANDING SUBSECTION (1), AN INSURER MAY ISSUE A**  
7 **NONCANCELABLE, NONREFUNDABLE, 7-, 14-, 21-, OR 28-DAY PREPAID**  
8 **AUTOMOBILE INSURANCE POLICY.**

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

13 (7) ~~(6)~~ A notice of cancellation, including a cancellation  
14 notice under section 3224, ~~shall~~ **MUST** 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 (8) ~~(7)~~ An insurer who wishes to provide for a short rate  
20 premium under subsection (4) shall file with the ~~commissioner~~  
21 ~~pursuant to~~ **DIRECTOR UNDER** chapter 24 or 26 a rule establishing a  
22 short rate premium. The rule ~~shall~~ **MUST** describe the circumstances  
23 under which the short rate is applied and ~~shall set forth~~ **STATE** the  
24 amount or percentage to be retained.