

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.3020 Policy of casualty insurance; mandatory provisions; filing rule providing minimum retention of premium for automobile insurance; issuance of policy to meet MCL 257.227a; providing short rate premium for insurance on motorcycle, watercraft, off-road vehicle, or snowmobile; definitions; effect of cancellation on claim; mailing or delivery of notice; statement; rule establishing short rate premium.

Sec. 3020.

(1) A policy of casualty insurance, except worker's compensation and mortgage guaranty insurance, 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:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

History: 1956, Act 218, Eff. Jan. 1, 1957 ;-- Am. 1967, Act 202, Eff. Aug. 1, 1967 ;-- Am. 1971, Act 210, Imd. Eff. Dec. 29, 1971 ;-- Am. 1978, Act 220, Imd. Eff. June 5, 1978 ;-- Am. 1987, Act 168, Imd. Eff. Nov. 9, 1987 ;-- Am. 1990, Act 170, Imd. Eff. July 2, 1990 ;-- Am. 1995, Act 288, Imd. Eff. Jan. 9, 1996 ;-- Am. 1996, Act 77, Imd. Eff. Feb. 26, 1996 ;-- Am. 1998, Act 410, Imd. Eff. Dec. 21, 1998 ;-- Am. 2006, Act 106, Imd. Eff. Apr. 7, 2006

Compiler's Notes: Act 202 of 1967 was presented to the governor on June 21, 1967, at 2:37 p.m., and, not having been returned by him to the house in which it originated, became law on July 5, 1967, at 2:37 p.m., the legislature having continued in session. (See 1967 House Journal, p. 3254). Enacting section 1 of Act 106 of 2006 provides: "Enacting section 1. This amendatory act applies to malpractice insurance policies in effect on, or issued on or after, the date this amendatory act is enacted."

Popular Name: Act 218