

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

500.1621 Insurance on collateral; conditions.

Sec. 1621.

(1) For a creditor to place insurance on collateral pledged by the debtor and pass the cost of the insurance on to the debtor, all of the following must be met:

- (a) The creditor must have a security interest in the collateral.
- (b) The credit agreement must require the debtor to maintain insurance on the collateral to protect the creditor's interest.
- (c) The credit agreement must authorize the creditor to place the insurance if the debtor fails to provide evidence of the insurance.
- (d) The requirements listed in subdivisions (a) to (c) must be clearly disclosed to the debtor at the inception of the credit transaction.

(2) A debtor has the right to provide required insurance through existing policies of insurance owned or controlled by the debtor or of procuring and furnishing the required coverage through an insurer authorized to transact insurance within this state. However, a creditor may establish maximum acceptable deductibles, insurer solidity standards, and other reasonable conditions with respect to the required insurance.

History: Add. 2002, Act 655, Eff. Mar. 23, 2003

Popular Name: Act 218