

(2) [IF] (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, IF the insurer receives a copy of a cancellation notice issued under subsection (c) of this section more than 30 days after the effective date of cancellation specified in the notice, the insurance contract shall be cancelled effective on the date the notice is received by the insurer.

(II) IF THE PREMIUM FINANCE COMPANY FAILS TO MEET THE 30-DAY NOTICE REQUIREMENT UNDER THIS SUBSECTION BECAUSE THE POLICYHOLDER'S INSTALLMENT PAYMENT IS DISHONORED AFTER THE EFFECTIVE DATE SPECIFIED IN THE NOTICE OF CANCELLATION:

1. THE DISHONORED PAYMENT IS INEFFECTIVE; AND
2. THE INSURER MAY WAIVE THE 30-DAY NOTICE REQUIREMENT.

(3) The cancellations made under this subsection shall be made as if the notice of cancellation had been submitted by the insured, but without requiring the return of the insurance policy.

(e) All statutory, regulatory, and contractual restrictions providing that the insured may not cancel his insurance contract unless notice is given to a governmental agency, mortgagee or other third party shall apply where cancellation is effected under the provisions of this section. The insurer, in accordance with said prescribed notice where it is required to give such notice in behalf of itself or the insured, shall give notice to such governmental agency, mortgagee or other person; and it shall determine and calculate the effective date of cancellation from the day it receives the copy of the notice of cancellation from the premium finance company.

(f) Whenever an insurance contract is cancelled in accordance with this section, the insurer shall return whatever gross unearned premiums are due under the contract, exclusive of agents' earned commissions, to the premium finance company for the account of the insured or insureds within a reasonable time not to exceed 60 days after the receipt by the insurer of the notice of cancellation, or after the completion of any payroll audit necessary to determine the amount of premium earned while the policy was in force. The audit shall be performed within 60 days after the receipt by the insurer of the notice of cancellation.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1991.

Approved May 14, 1991.