

HOUSE BILL 478

C4

EMERGENCY BILL

4r0936
CF SB 53

By: **Delegate Davis**

Introduced and read first time: January 27, 2014

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: February 13, 2014

CHAPTER _____

1 AN ACT concerning

2 **Maryland Automobile Insurance Fund – Installment Payment Plan –**
3 **Clarification**

4 FOR the purpose of clarifying that the Maryland Automobile Insurance Fund may not
5 discriminate among certain insureds by charging different premiums to
6 insureds who select, as a payment option, the Fund's installment payment plan
7 instead of a premium finance agreement; making this Act an emergency
8 measure; and generally relating to the Maryland Automobile Insurance Fund's
9 installment payment plan.

10 BY repealing and reenacting, with amendments,
11 Article – Insurance
12 Section 20–507(g)
13 Annotated Code of Maryland
14 (2011 Replacement Volume and 2013 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article – Insurance**

18 20–507.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (g) (1) (i) Subject to the approval of the Commissioner and in
2 accordance with this subsection, the Fund may accept premiums on an installment
3 payment basis only on 12-month personal lines policies.

4 (ii) In approving the Fund's plan for accepting premiums on an
5 installment payment basis, the Commissioner shall ensure that the Fund's
6 installment payment plan:

7 1. requires an insured's initial premium payment to be
8 no less than:

9 A. for a total annual premium of less than \$3,000, 25% of
10 the total annual premium; and

11 B. for a total annual premium of \$3,000 or more, 20% of
12 the total annual premium;

13 2. adjusts the amount of the total annual premium used
14 to determine the initial premium payment under item 1 of this subparagraph on
15 October 1 of each year using data from the U.S. Government Bureau of Labor
16 Statistics motor vehicle insurance expenditure category of the Consumer Price Index
17 for all urban consumers;

18 3. is structured and administered to ensure that the
19 Fund at no time provides insurance coverage to an insured for a period during which
20 the Fund has not received the actuarially justified premium payment;

21 4. offers no more than:

22 A. for a policy under item 1A of this subparagraph, six
23 installment payments on the 12-month policy; and

24 B. for a policy under item 1B of this subparagraph, eight
25 installment payments on the 12-month policy;

26 5. allows insureds to make an initial premium payment
27 and installment payments in any commercially acceptable form; and

28 6. allows the Fund to impose an administrative
29 processing fee on insureds participating in the installment plan of no more than \$8 per
30 installment payment.

31 (2) The Fund may not discriminate among insureds by charging
32 different premiums [based on the payment option selected by an insured] **TO**
33 **INSUREDS WHO SELECT, AS A PAYMENT OPTION, THE FUND'S INSTALLMENT**
34 **PAYMENT PLAN INSTEAD OF A PREMIUM FINANCE AGREEMENT.**

1 (3) In determining commissions paid to a fund producer, the Fund
2 may not consider whether the fund producer placed an insured in an installment
3 payment plan.

4 (4) (i) In accordance with this paragraph, written and electronic
5 communications, including the Fund's Web site, affecting the placement of coverage by
6 the Fund or a fund producer shall include a statement, on a form approved by the
7 Commissioner, advising an applicant or an insured of the payment options available to
8 the applicant or insured.

9 (ii) The statement shall state that the applicant or insured has
10 the following payment options:

- 11 1. the Fund's installment payment plan;
12 2. a premium finance agreement; or
13 3. payment of the policy in full.

14 (iii) The statement shall be included on written or electronic
15 communications at the time the applicant or insured:

- 16 1. is issued a new policy; or
17 2. is issued a reissuance, rewrite, or renewal of an
18 existing policy.

19 (iv) The statement shall state that the applicant or insured
20 should consult a fund producer who will fully describe the terms of each payment
21 option.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
23 measure, is necessary for the immediate preservation of the public health or safety,
24 has been passed by a ye and nay vote supported by three-fifths of all the members
25 elected to each of the two Houses of the General Assembly, and shall take effect from
26 the date it is enacted.